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McNerney Report Studies Rating, Insurer - Blue Cross Competition

Proposals to establish a rating bureau for private health insurers, to liquidate the rate advantage enjoyed by private insurers over Blue Cross-Blue Shield, and to revamp the Blue organizations were contained in the final report of the University of Michigan survey on hospital and medical economics in Michigan. The three-year study was directed by Prof. Walter J. McNerney, who has since become president of National Blue Cross Association.

The report noted that direct control over the quality, quantity and cost of health care by doctors and hospitals is not likely to be adequate without external inducements, and strong licensing programs were suggested for all types of hospital and medical facilities. Both Blue Cross and private insurers were urged to expand the practice of requiring hospital accreditation and licensing as a condition for receiving payments.

A voluntary service bureau of insurers would, the researchers said, enable insurers to strengthen their position in dealing with doctors, hospitals and other providers of health care. This body would be comparable to rating and inspection bureaus used in the casualty field and would enhance the industry's ability to evaluate services received by policyholders.

The report was critical of the percentage of premium retention by some insurance companies, especially on individual contracts, and it noted that some insurers disburse approximately 50 to 90% of their premium income in benefits whereas Blue Cross and Blue Shield pay out approximately 95%. Premium retention rates, the researchers opined, should be stringently regulated by the insurance commissioner.

The commissioner was also advised to establish reasonable reserve levels for prepayment plans to protect the

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Transamerica Adds One Life, Three Fire Insurers To Its Stable

Holders of more than 80% of outstanding shares of Pacific Finance Corp. common stock have deposited their shares for exchange for 4½% convertible preferred stock of Transamerica Corp. The offer to Pacific Finance stockholders has been extended beyond its original closing date of July 31 through the close of business Aug. 21.

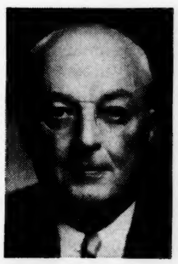
Pacific Finance stockholders who have not already done so may exchange two shares of Pacific Finance common for 1.16 shares of Transamerica preferred. The preferred is convertible into Transamerica common at the rate of one share of common for each $35.15 of par value of preferred.

Transamerica, with this acquisition, will have a share in the sales financing and consumer installment credit business and will be in a position to offer a broader range of finance services. At the same time, Transamerica will broaden its holdings in insurance.

Transamerica group now consists of Occidental Life, Pacific National Fire, Transamerica, Premier, Automotive, American Surety, Surety Fire, and American Life of New York. The 1960 net premiums of these companies were $174,455,615. Pacific Finance insurers are Marathon, Olympic, Spartan and Pacific Fidelity Life. Their net premiums were $16,339,966 in 1960. At the end of 1960 Occidental Life had $9.5 billion of life insurance in force and Pacific Fidelity $420 million.

NALU Goes On Record Against Adding Aged Medical Care To OASI

WASHINGTON—The National Assn. of Life Underwriters has urged the House ways and means committee to reject HR 4222 or any similar legislation relating to medical care for the aged.



Albert C. Adams

HR 4222 was introduced by Rep. King of California and embodies President Kennedy's proposed program to provide health care for the aged under the social security system.

NALU's position on this legislation was detailed by Albert C. Adams, Philadelphia, retired general agent of John Hancock and chairman of the NALU social security committee, in a letter to Chairman Mills of the ways and means committee.

Mr. Adams told Mr. Mills that NALU is in complete accord with the statement made on July 31, 1961, by H. Lewis Rietz, executive vice-president of Great Southern Life on behalf of American Life Convention, Health Insurance Assn. of America, and the Life Insurance Assn. of America.

"In particular, NALU's policy is identical with Mr. Reitz's expressions regarding the Kerr-Mills program, as well as his views in opposition to increasing the taxable wage base," said Mr. Adams.

NALU has authorized its state law and legislation committee to take such action as may be necessary to encourage the various states to participate with all possible speed in the implementation of the Kerr-Mills act. This act provides for an extension of the federal-state old age assistance program to provide health care for the so-called medically indigent aged people.

"We support the Kerr-Mills program," said Mr. Adams, "because it

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Astro-Physicist To Address NALU Annual Meeting On Sept. 28

WASHINGTON—Director Walter O. Roberts of the University Corp. for Atmospheric Research and the high altitude observatory of University of Denver will be a featured speaker at the Sept. 28 general convention session of the National Assn. of Life Underwriters annual convention Sept. 24-29 at Denver.

Mr. Roberts is a member of the councils of the American Meteorological Society and American Astronomical Society and is contributing editor of several scientific publications. He was chairman of the solar technical panel of the U.S. National Committee for the International Geophysical Year. He is a member of many scientific and technical organizations and has numerous published works to his credit.

Imagination Captured

"Astounding achievements in space have captured the imagination of the American people," said Robert W. Frye, Northwestern Mutual, Denver, chairman of the convention program committee, in announcing Mr. Roberts' acceptance of the invitation to speak. "Dr. Roberts will bring to our convention program a message keyed to the theme, 'Our Place in Space' and will help us gain a clearer perspective of atmospheric sciences as they relate to the world in which we live."

Pingree Vt. Commissioner

Albert D. Pingree has been confirmed as Vermont commissioner. He succeeds Alexander Miller. Mr. Pingree has served as deputy commissioner since 1935 and before joining the department practiced law in White River Junction.

Industrial Fire Subsidiary Planned By Security Life Of Ga.

Security Life of Georgia's directors have approved plans to organize an industrial fire company to be operated out of the home office in Macon. The life company's field force will be used for both operations.

New LIAMA Survey Shows 4.4% Rise In 5 Month Premiums

Supplement To Face Amount Figures Designed To Show Growth Pattern Accurately

By JUD HIGGINS

First year premiums on ordinary business, including those on single-premium policies, collected by life companies in the United States in the first five months of 1961 amounted to $511,756,000, an increase of 4.4% according to a new monthly survey which LIAMA has just inaugurated and which it calls "a major breakthrough." For May, the premiums were $104,-570,000 up 6.6%.

Cannot Compare Figures

The new monthly survey supplements LIAMA's monthly tabulation of sales by face-amount volume, but the premium figures cannot be compared with the face amount figures, because the premiums would be for sales in any given month only in the case of single premium business and annual premium business. Fractional premiums would be only for those actually collected during the month, since LIAMA found it impossible to get annualized premium information. The monthly premium figures also cover renewal premiums.

LIAMA's purpose in establishing the premium survey is to measure more accurately the growth pattern of the business. Many LIAMA member companies have commented that in recent years policies with term riders, like the family policy and family income, have played a large role in the gain in ordinary sales volume, while the average premium per $1,000 of face amount was decreasing. It was felt that new index was needed to provide a better perspective on actual growth in ordinary business in such a way that individual companies could measure

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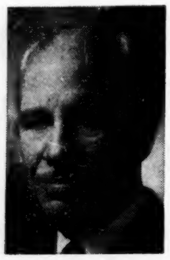
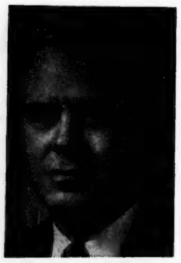
Part of the crowd on opening day of the Chicago International Trade Fair pauses at the New York Life exhibit, which uses electronic equipment to analyze the insurance needs of families. The exhibit has been visited by more than two million people at fairs and expositions throughout the United States, and an additional 70,000 were expected to view the exhibit by the time the Chicago fair was finished.

Defense Against Nuclear Attacks Set Up At Hancock's Home Office

BOSTON—A comprehensive civil defense program incorporating the


Byron K. Elliott


Gerhard D. Bleicken

newest procedures and equipment to provide for the protection of some 6,000 occupants of the home office building in the event of natural or man-made disaster has been devised by John Hancock.

Senior Vice-president Gerhard D. Bleicken, chairman of the company's personnel and property defense committee and state director of stabilization, said the Hancock buildings, which already provide one of the best protective capabilities in the metropolitan Boston area, are being further equipped with the latest in protective devices.

The program, designed to provide food, water, and shelter for all home office members for a period of 10 full days in the event of major disaster, has been under development since March, 1960. At that time, Byron K. Elliott, president of John Hancock, appointed two committees to study the company's existing civil defense facilities and to make recommendations, adapting them to changing world-wide conditions.

The Hancock committees have had the benefit of surveys and findings on the part of the federal government, the Office of Civil Defense Mobilization, the Department of Defense, city and state civil defense officials, as well as specialists from Massachusetts Institute of Technology and Technical Operations Inc.

Totally Self-Reliant

The new program, when completed, will provide for total self-reliance within the Hancock buildings and include all facilities essential to basic survival—food, shelter, water, medical care, sanitation, power generation, ventilation, air filtering, radiation detection, communications and security.

Mr. Bleicken pointed out that the program has not been developed because of any imminent danger, but because it is desirable to plan well in advance for every possible comfort and care of Hancock employes under extreme emergency conditions. It also provides for continuity of management in the event of loss of lives, and the preservation of all company rec-

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Insurance Counsel Elect; Honor S. S. Huebner

The four day meeting of Federation of Insurance Counsel last week at Chicago's Drake Hotel featured the election of officers and the presentation of the federation's award honoring Solomon S. Huebner, professor emeritus of insurance University of Pennsylvania, as "Insurance Man of the Year."

Officers elected include Carrol R. Heft, Racine, Wis., president; William A. Porteous, New Orleans, executive vice-president and president-elect, and Robert O. Rooney, Chicago, secretary-treasurer. David Green, president Motor Club of America group, was named to the board of governors and David H. Payne, general counsel Security Life, was elected a vice-president.

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Great Northern, Universal L.&A. Merge Now Official

The merger of Great Northern Life of Fort Wayne and Universal L.&A. of Bloomington, Ind., has been officially approved by the secretary of state accepting the articles of merger. The Indiana insurance department had previously given its approval. Great Northern is the surviving company, and with the acquisition of the assets of Universal it now has some $2 million of assets and more than $32 million of life in force.

All assets are being transferred to Great Northern's home office and the business of Universal and its staff are being integrated into the Fort Wayne operation. The officers of Great Northern remain the same; its board has been increased to 17 by the addition of the directors of Universal L.&A.

Granrud Chairman Of Luth. Brotherhood

Carl F. Granrud, president and vice-chairman of Lutheran Brotherhood, has been elected president to succeed J.A.O. Preus, who died last May. Mr. Granrud has been a board member since 1940 and president since 1951, which post he will retain.


C. F. Granrud

Other board members who were named to new posts are Dr. R. H. Gerberding to vice-chairman; Harold A. Smith; formerly financial vice-president, to senior vice-president, and John W. F. Lienemann, director of agencies, to vice-president and director of agencies. Dr. Gerberding was formerly executive secretary of the board of American Missions of the United Lutheran Church in America.

During the 10 years Mr. Granrud has been president, insurance in force has increased from $318,627,809 to more than $1.4 billion and assets have increased from $56½ million to $205 million.

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Tennessee Life Reaches $300 Million In Force

Tennessee Life has reached the $300 million mark for life insurance in force. This is a gain of approximately 35% since Jan. 1. The company has been in operation less than nine years.

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Herbert E. Johnson joined the Chicago staff of Harley N. Bruce & Associates, consulting actuaries, as special consultant on estate planning, policy contracts, settlement options, and endorsements.

Pa. Assn. Backs D. C. Bowman For Trustee Of NALU

HARRISBURG—Pennsylvania Assn. of Life Underwriters and the Allentown association are sponsoring the candidacy of D.C. Bowman, agent of Fidelity Mutual Life at Allentown, for trustee of National Assn. of Life Underwriters.


D. C. Bowman

Mr. Bowman became a member of this association the day he entered the business, in 1946, and he has been active in association work ever since. He has served in all the offices of his local state associations, and was elected president of the state body in 1957. He is a member of the board of the local association and has just been reelected national committeeman of the state association.

Mr. Bowman has produced an application a week every week since entering the business, has qualified every year for his company's Leaders' Club and has been a charter and continuous member of its Lives Club every month since it was founded 13 years ago. He is a past president of the congregation of his church, a past president and lieutenant-governor of the Optimists Club and has held key posts in Community Chest, Boy Scout and college fund drives. He has been a member of the NALU national council for 10 years, and during that time he has attended all its annual and mid-year meetings and all board meetings and annual meetings of the state association.

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Paid for production of **United Security Life** of Des Moines showed an increase of 180% for July 1961 compared with July 1960. This is the largest gain for one month in the history of the company.

Conn. General Sets Up Equity Pension Plan For Employer

HARTFORD—Connecticut General has set up for a local manufacturer a plan that benefits from a change in the Connecticut insurance law permitting the accumulation in equities of a substantial portion of an employer's pension reserves through a separate deposit administration account. The client is the Plax Corp., maker of plastic squeeze bottles. It has nearly 2,000 employes and had $25 million in sales last year.

The plan works this way:

On the basis of actuarial assumptions and methods, Plax periodically sets aside with Connecticut General an amount of money to provide annuities for its employes as they retire. Plax instructs Connecticut General to invest a substantial portion of this money in common stocks, through the medium of a separate account. Thereafter the payments by Plax for its pension plan will reflect in part fluctuations of the stock market. Similarly the investment yield on the common stocks held by Connecticut General in the separate account will affect the pension payments Plax makes.

Not All Are Variable

Not all of the payments by Plax are subject to such variation, however. The balance of these payments, which includes all contributions of employes, will be made under the regular deposit administration arrangement, which is an integral part of the funding and which Connecticut General has been offering for many years. Contributions for this portion of the pension are guaranteed against loss of principal. Connecticut General also guarantees an interest return. In addition, through experience rating procedures, Plax will benefit by interest earned by Connecticut General in excess of its guarantees.

The Plax employe, when he retires,

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Drawing Another Trip To Hawaii

Franklin Life President Chas. E. Becker spins the contest barrel as Illinois Secretary of State Charles F. Carpentier pulls out the name of James B. Meigs Jr. of Tucson as winner of the company's second Hawaiian vacation. Looking on, from left, are Vice-president George Kamataris; Vice-president F. J. O'Brien; Executive Vice-president F. J. Budinger; Director of Agency Development George Lamb, and Vice-president William D. Clements Jr. Eligible for the trip were Franklin Life associates throughout the country who had submitted family protector sales during the recently concluded two-month long president's tournament. Winner of the first drawing, held in May, was Robert M. Silver, Coral Gables, Fla.

Reasons For Neglect Of $5,000 To $10,000 Earner Are Examined

By S. SAMUEL SCOVILLE
Editor D.L.B. Agent's Service

Statistics may be dull, but sometimes they tell a story in a way that nothing else can. Consider the following statistics, for example, taken from the 1961 Fact Book, published by the Institute of Life Insurance. I think they provide some food for thought.

S. Samuel Scoville

1. Almost 75% of the policies issued by U. S. life companies in 1960 were issued on persons under age 35 (22% to children under 15, 26% to the 15 to 24 age group, and 24% to the 25-34 age group).

2. By percentage of amount of ordinary life insurance purchased in the U. S. in 1960, 24% was issued on persons with incomes between $3,000 and $4,999, 33% was issued on persons with incomes between $5,000 and $7,499, 28% was issued on persons with incomes $10,000 or over, but only 11% was issued on persons with incomes between $7,500 and $9,999.

Now, let's try to read between the lines, make an assumption or two, and see where we come out.

Bought The 'Buy-Young' Idea

Judging from the first statistic, apparently the American public has rather completely bought the idea that the time to buy life insurance is when you are young. That's fine, in and of itself, but there may be reason to believe that there has been a little overselling here. Are we encouraging people to believe that insurance suddenly ceases being a good proposition when you hit 35?

I remember being asked many times if it was not true that insurance rates took a sudden jump at about age 35. Where this misconception ever sprang from I don't know, but I do know that it is an impression widely held. Inasmuch as most people get their information about life insurance from agents, we can only speculate that many people have drawn a mistaken inference from what agents have said about the cost of waiting to buy.

The second group of statistics should make anybody stop and think. Certainly the supply of families with incomes between $7,500 and $9,999 is plentiful, and just as certainly, they are prime insurance prospects. Why, then, is such a proportionately small percentage of total ordinary life insurance sold to people in this income group?

May Be Not So Bad

But maybe it's not so bad as it looks. Maybe there just isn't the proportion of families in that income bracket that we think there is. Latest available statistics (1959) on family incomes from the U.S. Department of Commerce tend to bear this out. Let's put the income and insurance percentages in tabular form and compare:

Income of Insured	Percent of Insurance	Percent of Families
$ 3,000 to $4,999	24%	21.2%
5,000 to 7,499	33%	28.0%
7,500 to 9,999	11%	16.5%
10,000 or over	28%	18.8%

It is true, then, that there is a lesser number of families in the $7,500 to $9,999 income category than in any of the other categories, but look closer. Compared with the next lower income bracket, the reduction in number of families is less than one-half (28% to 16.5%), but the reduction in amount of insurance sold is two-thirds (33% to 11%). Since the higher income group contains better quality insurance prospects, would you not expect the comparative reduction percentages to be reversed? That is, would you not expect that even though there are about 40% less families in the $7,500 to $10,000 bracket than in the $5,000 to $7,500 bracket, that the reduction in amount of insurance sold would be less than 40%, rather than 26⅔% greater than 40%?

Offhand, we might say that the statistics tend to support the following three-part hypothesis:

First, we (the insurance industry) are not asleep at the switch in contacting young people. We are pretty successful at nailing young men when they begin their jobs and start adding to the size of their families. No doubt a better quality job could be done, but at least they are called on, and most of them buy.

Second, the executive and professional men in the five-figure salary brackets are obviously such good insurance prospects that agents are falling over each other going in and out of their offices. In this category are the prospects who collect calling cards and insurance proposals as a philatelist collects stamps—or those whose activities are so well publicized that they give the agent the classic plaint, "You're the third insurance guy who has called on me this week." Again, there is plenty of room in this market for the above-average salesman who is willing and able to offer exceptional

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Support Cooperation Between Lawyers And Agents, Oates Urges

James F. Oates Jr., president of Equitable Society and a former member of the Chicago bar for some 25 years, called for support of cooperative efforts between the life insurance business and lawyers to eliminate any misunderstandings and points of conflict that might exist in estate planning cases, in an address at the annual meeting of the Virginia Bar Assn. at White Sulphur Springs, W. Va.

Said Mr. Oates, "It is how each of you and the life insurance agent down the hall or across the street work together on a given case that determines how well the client is served. We must strive to eliminate from our minds the distorted picture we have sometimes entertained of the motives, abilities and responsibilities of each other, to the end that by our joint efforts we can provide the best possible assistance to our policyholders and client.

Complementing Each Other

"Neither agents nor lawyers should attempt to carve out for themselves an area of operation larger than they can properly fill. Each should be willing to recognize the abilities of the other and realize that their greatest success can be achieved by skillfully complementing each other's talents."

Mr. Oates said an important milestone in the establishment of necessary guidelines for the two professions was the national statement of principles of cooperation between life underwriters and lawyers, which was adopted in 1940 and revised in 1948.

He said the National Conference of Lawyers & Life Insurance Companies, established in 1951, "has made progress towards its objective of promoting cooperation by means of an educational program directed to agents' associations, life insurance companies and bar associations and by considering complaints of improper practice on the part of either lawyers or life underwriters."

The conference has reached amicable settlements on a substantial number of complaints brought before it, despite the fact it has no policing powers, Mr. Oates said.

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Western Home Office Underwriters Assn. is the new name of Home Office Underwriters Club of the Western States. Members felt the old name was not only too long; it also implied that the association was a social club —which it is not.

Workshop Sessions At NALC Meeting Prove Popular

NEW ORLEANS—The workshop sessions of National Assn. of Life Companies proved to be a popular part of the program and all five drew a good attendance. It is probable they will became a permanent fixture in future annual meetings. J. R. Cissna, chairman and president Federal Old Line, was general chairman. The discussion chairmen were: Conservation, Conrad Anderson, vice-president and director of agencies Guaranty Savings; internal organization, Michael H. Levy, president Standard Security of New York; handling agents, K. W. Gillis, public relations director Washington Life; stockholder relations, J. B. Baumann, Baumann Associates, Houston, and special policies, Doyle H. Baird, president National Western.

Small Company Lapses Greater

Pointing out that $16 billion of life insurance would have escaped first and second year lapse if the rise in lapse rate of 6.3% had not occurred in a 13 year period studied by LIAMA in its lapse survey, Mr. Anderson said this is probably as much as one-half of the combined insurance in force of all the members of NALC. The problem is even greater among the smaller companies which have a higher lapse rate than the billion dollar companies which are largely represented in the study.

Lapses are higher in periods of economic recession or depression. Yet in recent years, despite high levels of employment and personal savings, lapses increased. He attributed this to many new companies, new agents who would not remain in business long, offers of special policies, competition from competitive investment media, replacement due to new policies with lower rates and higher cash values, expansion of group, and competition with other commodities bought on credit.

Of the seven reasons advanced as to why persistency is on the decline, he said four came into being because of a rapidly expanding economy and the resulting inflation. These are new companies, special policies, other investment media competition, and overextension of credit. The last three are susceptible to some form of control by the life insurance industry.

Quick Sales Appeal

The special policy has a quick sales appeal and may be used to twist more orthodox policies; lacking in true value in comparison to orthodox policies, the specials may later fall victim to the orthodox. Comments of those in attendance, however, indicated good persistency of special policies, at least until the end of the deferred benefit period.

Mr. Anderson suggested that agents be taught to believe in life insurance and the importance of the fixed dollar, have a good working knowledge of other investment media, especially mutual funds, and perhaps consider purging mutual fund salesmen from local life underwriters associations.

Controlling lapses due to competition from other commodities is a training problem, he stated, and the agent should be given a stronger concept of life insurance and he should have a course in family economics so that he can advise his policyholders.

Since most life insurance is issued on male adults, the group most prone

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New England Life's Agents Get Welcome News At Convention

Major improvements in health insurance and retirement benefits for

O. Kelley Anderson

John Barker Jr.

New England Life agents were announced at the 30th annual meeting of the company's Leaders Assn. at the Homestead, Hot Springs, Va.

Also made public at the session were a new insurance to age 70 policy, reductions in premiums for retirement income policies, improvements in pension business underwriting and the establishment of a "security consultation service" to make a salary savings plan available to firms with 10 or more employes.

Welcomed By Anderson

The more than 400 members and their wives and families were welcomed by President O. Kelley Anderson. Other home office executives attending included Chairman George Smith, Agency Vice-president John Barker Jr., E. J. Moorhead vice-president and actuary, Vice-president John Hill; and 2nd Vice-presidents Doane Arnold, George G. Joseph and William L. Wadsworth.

Because of the large number of agents who qualified to attend, the meeting was divided into two sections.

Presiding at the business sessions was Charles I. Lytle of Buffalo, association president. Officers elected for the 1961-62 season were Benjamin L. Stern, New York-Marks agency, president; Buckley Hubbard Jr., Buffalo, vice-president; Sidney O. Thompson, New York-Huppeler, treasurer; and Harold D. Brewster, Providence, secretary. Elected to the executive committee were Messrs. Lytle, Stern, Hubbard, Thompson, Brewster and Henry E. Colton, Charlotte, N.C., and Preston G. Adams, Salt Lake City.

In announcing the new benefits for agents, Mr. Barker said the company is increasing its contributions to the health insurance plan from 75% to 80% and increasing the maximum benefit from $7,500 to $10,000, along with other favorable changes.

The company has also increased its contributions to the agents' retirement plan to 4% of the agents' commission earnings, with an additional 2% vested only at retirement. The old plan was a formula system with a 3% floor.

The agent can contribute either 3, 4 or 5% of commission earnings, the same as before.

Melvin L. Maisel, Schmidt agency, New York City, was named "rookie-of-the-year," it was announced. Runners-up were Maynard L. Winston, Steger agency, Chicago; Hal E. Holmstead, Salt Lake City, and Lawrence E. Jower, San Francisco.

Mr. Maisel, who joined New England Life in July, 1959, with no previous experience in life insurance selling, produced more than $1.5 million in individual sales in his first full calendar year with the company.

Officers of New England Life Leaders Assn., elected at the annual meeting at the Homestead, Hot Springs, Va., are left to right, front row, Benjamin L. Stern, Marks agency, New York City, president; Buckley Hubbard Jr., Buffalo, vice-president; Sidney O. Thompson, Huppeler agency, New York City, treasurer; and Harold D. Brewster, Providence, R. I., secretary. Standing, Henry E. Colton, Charlotte, N. C.; Preston G. Adams, Salt Lake City, and Charles I. Lytle, Buffalo, members of the executive committee.

Holds Latin American Insurance Seminar

Funded Security Corp. of Chicago held an informal luncheon seminar last week devoted to a discussion of the feasibility of American life insurance companies entering the Central and South American market. Two major subjects were discussed—insurance potential in Latin America including the numerical size of various income groups and attitude of the Latin American business community towards "outside" investors who are interested in further economic development of Central and South American companies.

Conclusions reached by the participants, who included representatives from Brazil, Costa Rica, Colombia, Peru, Trinidad, Paraguay, Argentina, and Nicaragua as well as J. Milton Edelstein, president Funded Security Corp. and Samuel Ballis, president Pilgrim National, were generally to the effect that, although potential life insurance customers make up only a fraction of the population of most Latin American countries, their actual numbers are large enough to justify attention by American life companies. Moreover, as experience by British and Canadian insurers has shown, effective salesmen, especially those with a command of Spanish and Portugese, can readily find profitable markets outside of this group of "potential customers." And Latin American countries consider foreign investment entirely welcome if it is mutually beneficial, as insurance would undoubtedly be.

Competition, Manpower And Marketing Discussed By Bowles At NALC Meeting

As competition becomes keener, as more and more pioneering is done, as it becomes more difficult to make a profit, intelligent, imaginative leadership of men of decision will still lead a company to success, Thomas P. Bowles Jr., Bowles, Andrews & Towne, management and actuarial consultants, Atlanta, told National Assn. of Life Companies.

The future is replete with problems, but they are nothing more than opportunities and challenges, and can be solved with creative leadership. Progressive management requires both devotion and imagination, he declared. The measure of success of a company will reflect the degree to which its executives prepare to meet problems or challenges.

The biggest problem is the danger of losing perspective and thus failing to recognize the basic fundamentals of a successful life insurance company. There are at least four essential ingredients for this success: Adequate financing; favorable economic climate; good, tolerant, understanding directors, and astute management which will recognize that life insurance is no different from any other business in management responsibility areas. These five areas are manufacturing, selling, finance, accounting and people. The days when a life company would grow in spite of management are gone, Mr. Bowles pointed out.

In designing and producing a product which will sell in the market reached by the sales organization at a price which will produce a profit, there are at least three elements to be considered: Product design and development, product price, and market awareness. As the smaller companies become aware of the need for scientific management, market research tools are being more frequently employed. The agency-actuarial team, through perception of needs and translation of needs into product, could easily become a base upon which to build a vigorous market research program, but this is only a beginning, Mr. Bowles stated.

Selling and servicing have the objective of production or sale of a volume of quality business at a reasonable cost for sales, service and administration. Management which can effectively recruit, select, train, motivate and conserve good salesmen will be most richly rewarded, he said.

The objective of financing is to supply capital funds needed to reach well-planned objectives with ample margins for contingencies. In many cases of the unsuccessful company, the absence of financial planning would be found if one could probe beyond the record. How often have we seen these sequences reenacted? Mr. Bowles asked. Influential and affluent business men or politicians; persuasive salesmen or promoters; organization of a life company—the sure and fast way to make a profit; grandiose plans; staggering production; staggering lapses (or switches); no fiscal plan; no budget; no direction; no control; no money; no company!

A life company should retain ample margins for all contingencies—mortality, morbidity, investments, faster acceleration of growth than planned, judgment errors of management such as failure to cancel agent financing when assets are going down the drain, etc., he said.

The object of accounting and administration is to protect the assets by revealing the source of income and the recipient of outgo; by developing records necessary for planning, budgeting, control and management decisions. Through accounting, management knows where it has been, where it is going and how to get there.

Emphasizes Value

Mr. Bowles emphasized the value of the monthly operating statement as a valuable tool. It should reveal significant operating indices, separate insurance from investment operations, show comparative results for previous years, relate elements of field and home office expenses to desirable budgeting controls, include a comparative balance sheet and recognize non-ledger account charges to the extent practicable. No accounting statement is of value unless it reveals conditions or facts which permit management to reach conclusions which in turn lead to decisions.

There is fierce competition for good men, with the demand exceeding the supply because of the large number of new companies and general expansion. The demand at top management level is for men with imagination, ideas and willingness to make decisions. Some of the intangibles essential for good human relations are opportunity, responsibility, authority, recognition, leadership and sharing. People are our raw matieral. They want to be told they are appreciated. "Let's develop them, they are all we have," Mr. Bowles concluded.

Officers Of Equitable Society's Group Millionaires Club Named

Robert O'Leary, Cleveland, has been named president of Equitable Society's Group Millionaires Club for 1961. Other officers named were Paul DeF. Hicks, New York City, vice-president, and Mrs. Louis Ilse, associate manager of the home office group department, secretary.

Elected to two years on the club's board of governors were Richard Walsh, Buffalo; William L. Spencer, Pittsburgh; Robert E. Bowlus, New Orleans; Robert B. Nathan, Chicago; Robert J. Rea, Sacramento, and Gene G. Mundi, Dallas.

6 Million Covered By Federal Employes Health Benefit Plan

WASHINGTON—The Civil Service Commission estimates that about 6 million, or about 4.5% of the 132 million persons in the United States having some form of health insurance, are participating in the federal employes health benefits program and the retired federal employe benefits program that the commission administers.

Most of these are voluntary programs to which the government contributes. About 5,400,000 are covered by the active federal employes program, a gain of 4%. This gain includes 74,000 new enrollees and about 150,000 dependents.

The retired employes plan has a total of 236,000 enrolled and, in addition, more than 150,000 dependents are covered under the program.

The commission has just approved the benefits and premium rates of the 37 plans that will participate in the active employes plan during the next contract year, which begins in November. Three of the 37 are participating for the first time. For about 94% of the persons already enrolled, there will be no increase in rates and there will be some liberalization of benefits. However, benefit and rate changes made by plans that participated in the program during the first contract period depend on their present benefit structures and were based on the experience of each plan during the first nine months of operation. The changes do not follow a uniform pattern. For example, there were both increases and decreases in the deductibles.

Social Security Claims Reach New High

WASHINGTON—Claims for social security benefits have hit an all-time high as a result of recent amendments to the social security law, according to Victor Christgau, director of the Social Security Administration's OASI Bureau. Causes of increased claims include reduced social security benefits as early as age 62, a 10% increase in aged widows' benefits, lowered work requirements for qualifiers, increased benefits for people still at work, and increases in the lowest-rate benefits.

Of the 4.7 million people eligible for larger benefit payments, almost one out of four of those now on the social security rolls, all but 1 million, will receive their increases automatically. About one-quarter of the claims applications received in July were filed by men from 62 to 64 years old and their dependents.

Standard & Poor's Consultant Examines Investment Problems Of Life Companies

The broad range of investments open to life companies, the problems inherent to each segment of the investment market for life insurers and the outlook for each group were discussed by C. V. Schaumann, associate manager of the bank and insurance division of Standard & Poor's, investment advisers, at the luncheon Thursday during the annual meeting of National Assn. of Life Companies in New Orleans. A condensation of Mr. Schaumann's speech follows.

The rapid growth of assets of life insurance companies becomes a mounting problem for the officer responsible for making investment decisions. Theoretically, it takes as much judgment and skill to invest $10,000 as it does $100,000, but actually such is not the case. It requires careful attention to maintain a reasonable balance between classes of investments, and particularly to maintain adequate diversification. It is our purpose to discuss these with the hope that some of our remarks will prove helpful to you.

Before doing so, however, we think it only fair to give you Standard & Poor's over-all policy on both bond and stock markets, to establish the basis for our comments.

The bond market has had a substantial decline in the past few months, and while we can expect intermediate fluctuations, we think that the business recovery will stimulate an increase in loan demand and tighter money conditions. The higher interest rates will undoubtedly have their effect upon the bond market later this year, but we are of the opinion that the major portion of the readjustment has already been accomplished. We think that high grade bonds are in an attractive buying level for the long term investor.

As for common stocks, we also have seen a reactionary trend for some time, but it is significant that value of trading activity has been sharply reduced. From a long pull standpoint, we are definitely bullish, and while we do not rule out the possibility of intermediate setbacks, we do think that the longer term trend is toward a new high record of prices for selected stocks.

Real Estate Picture

Before going to a discussion of investment securities, we cannot overlook a most important portion of your portfolio, real estate investments. This naturally is out of our field, but we do attempt to help our clients maintain their over-all picture by suggesting that they step up their mortgage investments when it is appropriate to do so, especially when cheap money conditions prevail and bond yields are low.

Now, turning to actual securities, the first group we meet in the bond list is Treasury obligations. Our recommendation is that Treasury bonds be regarded dispassionately, and the probabilities are that many companies are over-invested in Treasury obligations and they are taking a considerable sacrifice in income, as against other types of bonds.

We recognize that Treasury bonds are no longer considered sacred cows, and when market conditions are unfavorable, they decline just as surely as any other bond. In fact, many companies are involuntary investors in Treasurys, showing such substantial losses that they are presumably frozen in to maturity. If we were at war, the matter would call for an entirely different approach. However, with a responsibility to your policyholders, we would review your Treasury position, naturally holding those required for pledge or security by law, and to maintain a revolving fund of short term Treasurys, one to five year maturities, to take care of unforeseen contingencies.

Tax Exempts Special Field

Tax exempts represent a very special field for life companies. You all know that individual states require deposit of securities by foreign companies, to insure payment of policies sold in the state. Furthermore, purchase of municipal obligations in many states provides very valuable tax benefits, against premiums taken out of the state. If you have not already done so, we suggest that the local tax problem be studied, and appropriate investments be made to secure substantial savings on taxes.

It seems appropriate at this time to remark on quality and maturity of bonds purchases for your account. Assuming that you have sufficient short

(CONTINUED ON PAGE 18)

H. HARTZELL PERRY, AMERICAN UNITED VICE PRESIDENT, REINSURANCE

Questions And Answers From CLU Column Supplied To Daily Papers

American Society of CLU is supplying many daily newspapers with a question-and-answer column on life insurance. The questions are selected and the answers written by C. C. Robinson, communications consultant of Wellesley, Mass., former home office agency executive, field man and insurance magazine editor. CLU members wishing to have the column appear in their local papers should write to American Society headquarters.

QUESTION: I've seen articles that say, when you're 60 or 65, you can change a regular straight life insurance policy for an annuity that will pay you an income as long as you live. I have one of these policies and I've read it carefully, but I don't see where it says this can be done.

ANSWER: All straight life policies (also called ordinary life or whole life) have cash surrender values that increase each year that premiums are paid.

Nearly all companies will permit you to take this surrender value in the form of a life annuity—and at any age you decide on, not just 60 or 65. If you want to be sure your company or your particular policy is not an exception, a phone call to the local office will get you full information—including the amount of life income your cash value will provide.

Temporary 10-Year Trust

QUESTION: My father is setting up a temporary (10-year) trust fund for the benefit of his two grandchildren (my children). The income from this trust is to be used to pay the premiums on a 10-payment life insurance policy on my life—the proceeds to be paid into the trust if I die. If my father is living at the end of the 10-year period, the securities he's put into the trust will revert to him. I have two questions for you:

1. Instead of the 10-payment policy, why not buy straight life? The same trust income would pay for a much larger amount of insurance, thus giving the children a larger estate, at my death. If necessary, after 10 years I could continue paying the straight life premiums.

What About Reversion?

2. As I understand it, I am the principal beneficiary of my father's estate, would it not be better, tax-wise, for the securities in this trust to revert to me at the end of 10 years? I could then use the income to continue the premiums on the straight life policy I think should be purchased.

ANSWER: We don't know what your father has in mind, but the use of life insurance that will be fully paid for by the time the trust is dissolved is quite common. By getting all premium commitments out of the way, your father may feel that he is protecting you against a future obligation that it might be difficult, even impossible for you to discharge. At the same time, the cash value of the 10-payment policy, after 10 years probably will very nearly equal the net premiums paid by the trust; and that could be another important consideration.

Your second question should be discussed with your father's lawyer. We'd think, however, that his decision to make this a short-term trust is a pretty good indication that your father wants the income from these securities for his own use, 10 years hence.

Separated But Not Divorced

QUESTION: My husband and I are separated, but do not plan to be divorced. Several years ago, his life was

(CONTINUED ON PAGE 20)

Franklin Life Holds Old-Timers Picnic

A total of 2,514 years of service to Franklin Life was represented at a picnic for 104 Franklin employes with 15 or more years with the company. Conversation was centered on "how it was back then."

President and Mrs. Chas. E. Becker attended the gathering which took place at a club on the shore of Lake Springfield. The Beckers had just returned from a two month tour abroad and his presence topped off the ending July 15 of his special President's Tournament.

The oldest employe at the picnic was Henry Abels who joined Franklin in 1898. With 63 years of service, Mr. Abels still keeps office hours at the home office each day.

Of the some 104 Franklin employes with over 15 years service, six rank in the 40 year bracket or above. Mr. Abels is followed in length of service by Lawrence Reisch with 45 years, Tony Zaubi with 43 years, Helen Dunlap and Ada Markham with 41 years each and Helen Jagla with 40 years.


Osborn

Home Office Changes

Lafayette Life

J. K. Kensinger, financial vice-president and treasurer, has retired. He became associated with Lafayette Life in 1935 in the investment department. He was appointed manager of the investment department in 1942, named to the board in 1947, appointed a member of the executive committee in 1947, elected treasurer in 1952 and financial vice-president and treasurer in 1957.

Robert M. Whitsel has been named assistant secretary and manager of the investment department. He joined Lafayette Life in 1954 and has served as investment assistant and assistant secretary in mortgage loan investments.

Lester B. Hungerford has been named treasurer. He went with Lafayette Life in 1942, was named chief accountant in 1943, advanced to chief accountant and auditor in 1946 and appointed controller in 1954.

Metropolitan Life

Alan M. Butterworth and Lorne L. Smith have been made assistant vice-presidents in the regional home office at Ottawa.

Mr. Butterworth has been manager of the account insurance administration division. Mr. Smith has been manager of the ordinary administration department.

Shenandoah Life

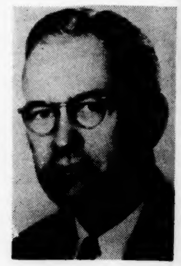

T. T. Moore

T. T. Moore has been elected a director. He succeeds John R. Everett, chancellor of the Municipal College System of New York. Mr. Moore who joined the company in 1947 is financial vice-president and treasurer.

National Life Of Vermont

Ward Phelps, has been appointed assistant vice-president. He joined National Life as superintendent of agencies in 1955. He was previously director of field relations for Mutual of New York. He served for 10 years as consultant in the company relations division of the Life Insurance Sales Research Bureau (now LIAMA) at Hartford. He is a CLU.

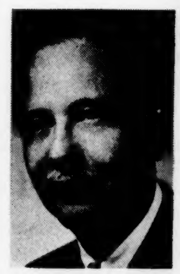

David F. Hoxie


Ward Phelps

David F. Hoxie has been appointed assistant vice-president. A former lawyer in Boston, he joined the law department in 1938 and was made attorney in 1942. He later became associate counsel.

Kirtland J. Keve has been appointed superintendent of agencies. A lawyer in New York City for a number of years, he entered life insurance business in 1946. He joined National Life in 1948 and became assistant director, director of agents' training, assistant superintendent of agencies and director of agency development. He is a CLU.


Evan M. Miller


K. J. Keve

Evan M. Miller has been appointed assistant superintendent of agencies. He joined the company's selection department in 1947, becoming supervisor in the secretary's department. He was promoted to associate secretary in 1959. He is a fellow of the Life Office Management Assn. Institute.

Life Of Virginia

DeLos H. Christian has been appointed assistant to President Charles A. Taylor. A fellow of Society of Actuaries, he joined the company in 1952. In 1956 he was named 2nd vice-president. He was with Equitable Society six years. He is a past president of Middle Atlantic Actuarial Club.

Harvey H. Conklin succeeds Mr. Christian as associate actuary. He joined Life of Virginia in 1959 as as-

sistant actuary after 23 years with Metropolitan Life. He is a fellow of Society of Actuaries.

Gordon R. Trapnell has been elected assistant actuary. He joined the actuarial division in 1956 and later was appointed manager of the group insurance actuarial division. He is a fellow of Society of Actuaries.

Pan-American Life

Warren A. Nelson has been appointed assistant director of training. He was formerly with Lincoln Liberty Life as district manager at New Orleans. Mr. Nelson played professional baseball at DeLand, Fla., and from 1950 to 1957 he was head coach and an instructor at Ridgewood High School in Metairie, La.


John K. Roberts


Warren A. Nelson

John K. Roberts Jr. has been named assistant actuary. He joined Pan-American in 1959. He is a fellow of Society of Actuaries.

Aetna Life

C. Carlton Coffin Jr. has been appointed superintendent of agencies. He has been general agent of Connecticut Mutual Life at Los Angeles, and is past president and a director of Rutland (Vt.) Life Underwriters Assn.

National Life of Canada

Robert Blane, a group actuary, who has been serving temporarily at Glens Falls, has been permanently assigned to the U.S. head office there.

Massachusetts Mutual

Walter E. Bradbury was appointed actuarial secretary. He joined the company in 1924 and became manager of the calculation department before being elected assistant secretary in 1953 He is a fellow of Life Office Management Assn. Institute.

WOODMEN OF THE WORLD has named John C. Robison, attorney at Fairfield, Ill., to the board. He fills the vacancy created by the recent death of Charles Sublett, Los Angeles. Herman E. Cox, Omaha, a director and assistant attorney general, who has been watchman since March 1, was elevated to the post of escort. Judge Waylon Rayburn, Murray, Ky., was advanced from escort to trustee, and H. C. Fabian, Atlanta, from sentry to watchman.

FIRST COLONY LIFE has elected Gilbert W. Smith a director. He is vice-president of Glore, Forgan & Co., New York investment banking firm.

PACIFIC MUTUAL LIFE has named William D. Bishop an assistant actuary. He went with the company in 1958 after eight years in the actuarial field in Connecticut. Henry H. Childress has retired after 25 years of service. He had been in the company's legal department since 1937 and had been general counsel since 1955.

INDEPENDENCE LIFE has appointed Edward McCaffrey accounting supervisor. For the past four years, he has been with New York Life in Los Angeles and Phoenix as supervisor of accounting.

PRAETORIAN MUTUAL LIFE has named Frank E. Ragsdale manager of the brokerage department. He was formerly regional brokerage manager for Southwest Indemnity & Life.

Conventions

Aug. 13-19, CLU institute, University of Colorado, Boulder.

Aug. 21-23, International Federation of Commercial Travelers Insurance Organizations annual, La Fonda Hotel, Santa Fe.

Aug. 28-Sept. 1, National Insurance Assn., annual, Sheraton-Park Hotel, Washington, D. C.

Sept. 17-20, International Claim Assn., annual, The Greenbrier, White Sulphur Springs, W. Va.

Sept. 20-22, Life Insurance Advertisers Assn., annual, Sheraton-Dallas Hotel, Dallas.

Sept. 24-29, National Assn. of Life Underwriters, annual, Denver Hilton Hotel, Denver.

Sept. 25, Fraternal Actuarial Assn., annual, Netherland Hilton Hotel, Cincinnati.

Sept. 25-27, Life Office Management Assn., annual, Shoreham Hotel, Washington, D. C.

Sept. 25-27, National Fraternal Congress, annual Netherland Hilton Hotel, Cincinnati.

Oct. 9-10, Conference of Actuaries In Public Practice, Sheraton-Blackstone Hotel, Chicago.

Oct. 9-13, American Life Convention, annual, Edgewater Beach Hotel, Chicago.

Oct. 10, Insurance Economics Society, annual, Edgewater Beach Hotel, Chicago.

Oct. 18-20, Institute of Home Office Underwriters, annual, Jung Hotel, New Orleans.

Oct. 26-28, Midwest Management Conference annual, Sheraton Hotel, French Lick, Indiana.

Nov. 7-10, Life Insurance Agency Management Assn., annual, Edgewater Beach Hotel, Chicago.

Nov. 13-15, Health Insurance Assn., individual insurance forum, Sheraton Hotel, Philadelphia.

Changes In The Field

Continental Assurance


Jack McCann

Jack McCann and Alan McNair have been appointed regional managers for retirement and special plans at Detroit and Kansas City, respectively.

Named to similar positions are Daniel J. Kubik at the Chicago field office, responsible for a five state area, and Gordon Clarke, in charge of a new six state area at


Alan McNair


Daniel J. Kubik

Boscobel, Wis. Mr. Kubik had previously been regional manager of the Chicago area only, while Mr. Clarke had covered just Wisconsin.

Occidental Of Cal.

Stanley T. Rogers has been appointed assistant manager of the Springfield, Mass., branch office. He joins Occidental after eight years in Springfield with Equitable Society.

John T. Kahl Jr. has been named assistant brokerage manager at Baltimore. Mr. Kahl entered the business two years ago, serving as an agent at Baltimore with Atlantic Life and Acacia Mutual.

Life Of Virginia

James J. Benson, district manager at Detroit, has been made district manager at Cincinnati. He and Peter Montrose are exchanging positions.

Standard Of Oregon

Walter Kelly has been appointed manager of the east Portland agency. He has been in the business there since 1955 as an agent and as a unit manager since 1957. Fred Rosenbaum has been promoted from supervisor to associate manager in the same agency. He has been with Standard since 1957.

Volunteer State Life

James A. Glass Jr. has been named regional director of agencies at Birmingham. He was formerly a manager for Continental Assurance and a division manager for Prudential.

Henry F. Mikul Jr. becomes general agent at Birmingham. Formerly he was with Provident Life & Accident and Continental Assurance.

Lysle K. Eversmeyer has been appointed general agent at Huntsville, Ala. He was an agent there for New York Life.

S. Connie Odom has been appointed general agent at Anderson, S.C. Starting in insurance in 1949, he was with Carolina Life, American National of Texas, and most recently, was a general agent of Kansas City Life. He is past president of the Anderson Life Underwriters Assn. and a former executive vice-president of South Carolina Life Underwriters Assn.

Stephen M. Osborne has been appointed general agent at Winston-Salem, N.C. He was with Security Life & Trust and was a general agent for Protective Life and National Trust Life.

Great National Life

Howard W. Channell has been named manager at Great National Life, Dallas. He succeeds R. Barney Shields, who will become executive consultant for company officers. Mr. Shields observed his 31st year with Great National last June and has been Dallas manager since 1934. Mr. Channell has been an assistant vice-president and director of branch office agencies for Republic National Life. He began his insurance career 15 years ago with Business Men's Assurance in Kansas. He moved to Dallas when he joined Republic National Life.

Union Mutual Life

Herman C. Tracey has been appointed manager at Manchester, N.H. He was formerly an agent and staff manager with Prudential, and later was a division manager.

General American

Harold L. Flangel and William E. Robinson have been appointed general agents at Los Angeles. Mr. Flangel began his insurance career in 1958; Mr. Robinson was previously with Manufacturers Life.

Pan-American Life

Kenneth R. Tolliver has been made district group manager at Dallas. He joined the company in 1959, after being a sales executive for Allis-Chalmers.

M. Steven Bumpas has been made district group representative in Jackson. He has been with Procter & Gamble Distributing Co.

American United


E. H. Crowe

Emmett H. Crowe has been appointed agency manager Cincinnati. He has been in the business 10 years as agent, assistant manager and brokerage supervisor for Mutual of New York.

Mutual of New York

Neal M. Jewell and Elford A. Stover Jr. have been promoted to regional supervisors of agency administration.

Mr. Jewell will be in charge of agencies at San Francisco. He formerly was supervisor in the compensation division.

Mr. Stover, formerly a supervisor in the policyholder accounts division, is assigned to Chicago.

Colonial Life

Donald J. Smith has been made resident superintendent at Shrewsbury, N. J. He has been with Prudential at Asbury Park for the past 12 years.

United States Life

George R. Kimball has joined the company as assistant regional superintendent of agencies at San Francisco. He was formerly with Canada Life and started in life insurance in 1951 with California-Western States Life.

Richard C. Shipley has been appointed general agent at Oxnard, Cal. He started in life insurance in 1950 with Prudential at Los Angeles, and in 1959 became field manager in that area with the Ins. Co. of North America. He is a CLU.

Daniel Andron, brokerage supervisor of the New York agency headed by Frank T. Crohn, has been named co-general agent and elected vice-president and secretary of the agency. He entered the life business in 1946 with Equitable Society, later becoming a broker. He is a CLU.

Connecticut General

Thomas E. McGrath, manager of the New York claim division, has been appointed special claim consultant. He will continue with the New York claim divison, where he has been since 1927.

Dee I. Donnenfeld has been named regional manager of the New York claim division. Formerly manager of the Long Island claim division, he will continue to be responsible for that office also.

A. A. L.

Walter Mueller Jr., Houston, has been appointed general agent in southern Texas, succeeding E. H. Hellbusch who recently retired after serving as a general agent for the past 35 years. Mr. Mueller joined the company in 1954, and has since served as a district representative in the Albuquerque area.

Prudential

Earle A. Eide, founding manager of the St. Paul ordinary agency, is retiring after a 44-year career with the company. Succeeding him is Daniel L. Hart, associate manager since May when he was transferred from Detroit.

Mr. Eide joined the company at Worthington, Minn., in 1917 and three years later was moved to Mankato as division manager. In 1924, when he was 27, he founded the new St. Paul agency, which has since been very successful under his guidance. Mr. Hart joined the company at Detroit five years ago.

A major realignment of the company's ordinary agencies in Minnesota has been announced: The St. Paul agency will cease operations in more than 20 Minnesota counties and pick

up several in central Wisconsin, in addition to the eastern Minnesota area; a new southern Minnesota agency at Rochester will serve an area along the southern tier of counties in Minnesota from La Crosse, Wis., to Fairmont, Minn.; the Minneapolis agency will operate in 17 counties formerly served by St. Paul, and the Sioux Falls, S.D., agency will service five counties in southwestern Minnesota formerly operated by St. Paul.

Bankers Life, Neb.

L. Glendening has been named general agent at Tulsa.

Equitable Society


Karl J. Peterson

Karl J. Peterson, Buffalo manager, has been promoted to field vice-president in charge of the New York metropolitan department. He joined the company in 1946. He is a past president of Buffalo Life Managers Assn. and is director of Buffalo Life Insurance, Trust & Banking Council and the Buffalo CLU chapter.

He succeeds Frank W. Hill, recently made Equitable manager at Pittsburgh. No Buffalo successor to Mr. Peterson has yet been named.

J. Fred Speer, manager at Pittsburgh, will retire Aug. 1 because of ill health. Frank W. Hill will take his place.

Mr. Speer joined the company in 1926. He became Newark manager in 1945, and in 1952 was made manager of one of the two agencies then formed from the Woods agency in Pittsburgh. He is a director of American Society of CLU and immediate past president of Pittsburgh Life Managers Assn.

Mr. Hill has been a field vice-president of the northeastern department and more recently of the New York metropolitan department. Before that he was manager at Albany.

LINCOLN LIBERTY LIFE—Following the death Iowa General Agent Charles L. Miller, the company has divided the state into six general agencies: These are Raymond Borrink, Cherokee; Max B. Harkins, Davenport; Robert W. Harrington, Rudd; James O. Reid, New London; Edward A. Sauter, Varina, and William W. Vasey, Nevada. Harvey Drake has been named field supervisor for Oklahoma at Oklahoma City. Benton N. Elliott has been named Houston district manager.

OHIO STATE LIFE has opened an agency at Fort Lauderdale, Fla., and named John C. Winter general agent there. He started in insurance with National Life of Vermont in 1938 and since then has been with Bankers Life of Iowa and Occidental Life of California.

LINCOLN AMERICAN LIFE of Memphis has named three district managers: James O. Moore at Martin, Tenn., E. E. Bateman at Memphis, and Kenneth Parrish at Jackson, Tenn.

EAGLES' NATIONAL LIFE of Cincinnati has named Frank A. Hibst, formerly a general agent for both Continental Casualty and Guarantee Reserve Life, state manager for Ohio.

PEOPLES-HOME LIFE has appointed John T. Redman brokerage manager at New Haven, Conn. He has been in insurance since 1952.

GIRARDIAN of Dallas has appointed Henry G. Rotell regional manager for Minnesota, North and South Dakota.

GOVERNMENT PERSONNEL MUTUAL has named Leo Griffin Jr. district manager for the Rauch agency at Washington, D.C.

FUNDED SECURITY LIFE has named Samuel S. Herman general agent at Chicago. He has been with the company since its inception.

Scoville Examines Reasons For Neglect

(CONTINUED FROM PAGE 4)

service and advice. But the point is that these people are anything but a neglected market. They are being called on in quantity.

Third, what about the middle-aged prospect who is moderately successful, but who hasn't made a big splash? This man has an above average income. His family is not growing in numbers, but his children are costing him more to feed, clothe and educate each year. His wife is getting older and more and more dependent on him with each passing year. Retirement is no longer so far in the dim, misty future that he can't be motivated to plan realistically for it.

Bought When He Was Young

He bought insurance when he was younger because everybody knows that a young man starting a famliy should give them some protection. This was the time when all the insurance agents were calling on him and reminding him of his responsibilities. So he opened himself up to a likely looking agent and allowed himself to be "sold." Perhaps he bought a new policy with the birth of each new child—probably from a different agent each time because the original agent never called back. And then what happened?

Nothing happened, because he has passed into "insurance limbo." He has become middle-aged, his wife has stopped having babies, and his career, though progressing successfully, is not making the headlines. Those who had sold him previously have avoided their responsibility of continuing service to him in their search for what they consider greener pastures—the young uninitiated or the obvious five-figure successes.

Another interesting statistic: During 1960 almost 75% of the total volume of ordinary insurance sold in the United States was sold in units of $10,000 or more. Nothing particularly wrong in that—or is there? Maybe our neglected middle-aged moderate success is not a buyer of large units, but if he is properly sold and serviced, can't he be motivated to buy more modest-sized amounts than he is now buying? A high average size policy may be a source of pride to an insurance company, but from the agent's point of view, the commission on $7,500 of ordinary life on a man age 36 is just as much or more than the commission on $10,000 on a man age 26—and it's just as spendable.

Well, there's the hypothesis. It amounts to an indictment of the agent who fails to follow through and stay with his young policyholders and convert them to life-long clients. And it's also an indictment of the agents who get "orphan leads" and do nothing about them. (General agents and managers know what I'm talking about here.)

Is all this nothing but high-blown, ivory-tower philosophizing? Is there anything more than between-the-lines interpretation of statistics to support such conclusions? Two things come to mind.

Quotes Howard Reeder

First, there is the assertion made a few months ago by Howard C. Reeder, president of Continental Assurance, that the insurance business is missing the biggest potential in ordinary life sales because "it has too many status seekers" who are concentrating on high income earners and shying away from the huge untapped market made up of people in the $5,000-$7,500 salary bracket. No doubt there is plenty of truth in what he said. And I wonder if, on the basis of later statistics, he might conclude that an equally significant untapped market exists in the next higher salary bracket.

Second, there is the well-publicized recent LIAMA-LUTC survey among insurance buyers which reported that "only a small fraction of those who have bought life insurance (13%) said an agent had ever been of service to them after he sold the policy." No comment is necessary on this.

Worth Investigation

Taking everything into account, it should at least appear that there is something worth investigating here. If what has been said turns out for the most part to be true, then it would seem that life companies have an opportunity and a responsibility to do some additional research and a good bit of educating among their field forces. They might also find that by devoting some special attention to this allegedly neglected middle-aged, slightly-above-average-income group, the unfortunate trend toward lower premiums per thousand might be arrested or reversed.

By way of suggestion, a key both to the existence of the problem and to its possible solution might be found in investigating this salary bracket by occupational classification. It might be extremely interesting and revealing to see, for example, what correlation there is between the percentage of persons in this salary bracket who are in the higher level "blue collar" occupations (artisans, foremen, skilled laborers, etc) and the percentage of insurance sold within this salary bracket to people in those occupations. It's just a hunch that this would be worth pursuing.

Do we really have a problem here? If so, is anyone concerned enough to investigate and look for a solution?

LINGLE ON AGENCY PROBLEMS PANEL

Agency Unit Hasn't Done Job Until Recruit Is Off Advance

Until an agency department has taken a new agent off an advance arrangement and placed him on earned commissions it has not done its job, Peyton Lingle, vice-president and director of ordinary agencies of Coastal States Life, declared during his portion of the agency problems panel at the annual meeting of National Assn. of Life Companies. In his talk, a digested version of which follows, Mr. Lingle outlines the steps leading up to making the decision to switch an agent from advance to straight commissions, when to make the decision, and some of the pitfalls of poorly planned financing of the new recruit.

By PEYTON LINGLE

There are various ways of arriving at an answer to the question, "When should the advance to a commissioned agent or general agent be discontinued and the agent to be placed on a straight commission basis?" One generally accepted method is to use a crystal ball. If this is not available, perhaps a ouija board might be employed, or even an astrology chart.

Seriously, this is a question which calls for very careful consideration because it strikes at the very heart of our business. Unless and until we have men off advance and on earned commissions, we as agency people have not done our job. We cannot say that we have successful agents until this has been accomplished.

The decision regarding this problem most frequently is made, whether we realize it or not, at the time the man is recruited and placed under contract. If we have selected a man whose financial needs are greater than his ability to produce, if he does not have a broad enough market, or we do not provide the right type of supervision, we may never get him on an earned commission basis. We have a built-in failure from the date of his contract. Basically, most any plan of financing is as good as another, provided, of course, the man has the production to back it up. If he does not validate with adequate sales, no financing plan can be successfull.

Three Plans

Basically, there are three financing plans in general use today—the old plan which has been discarded because it had many flaws in it. Then there is the current plan which is doing a fair job but is far from perfect. And then all of us have the new proposed plan which is a real honey and will solve all of the problems of all previous plans.

In my experience, I have employed various types of financing programs all of which I thought were directed at having the man being financed on an earned commission basis at the end of approximately two years. At least, the debit balance should be stabilized or coming down at that point.

The systems employed in the past worked with some men and failed with others. Why? Actuaries have told me that except for the first three months, we should never advance a man more than his first-year commission unless we are prepared to support an unusually high acquisition cost. Even this must be qualified to the extent that the business produced must be at least average in quality or we are in real trouble.

Plan Breaks Down

In one early experience, much to my sorrow, I discovered that a validation program which I was using resulted in advancing far in excess of the annualized first-year commissions. The advance plan used called for a flat monthly amount during the apprentice period not to exceed three months. Beyond that time this level advance was continued based upon 80% of the annualized commissions. It was originally contemplated that lapses would be charged back on an unearned basis, but for some reason this was not adequately carried out, and it was at this point that the plan broke down.

It was in this area of heavy lapse where our advances got out of hand. We all know that the new man is under pressure to produce business in order to validate for his drawing account. He will write business that he might not ordinarily write hoping against hope that it will persist. Not being able to separate the wheat from the chaff, we advance money on this business and suddenly walk up and find that the lapse ratio is such that we have made advances far in excess of the potential earnings.

We are now faced with a debit balance that is not secured by suffi-

cient business and we have on our hands an agent who is discouraged and wonders whether or not he will ever be able to get out of debt to the company. Therefore, if we are ever to have men on an earned commission basis we must pay particular attention to three vital areas:

Sufficient To Validate?

—In setting up any form of drawing account, we must consider it in the light of whether the man can sell sufficient insurance to validate. For example, according to today's standard, $600 a month is a reasonable amount of income for a man to seek. Yet, a life insurance agent who nets $600 a month will have to gross in the neighborhood of $720 of commissions, because the normal expenses of doing his daily work will consume from 10% to 25% of his total earnings. What must he do to earn this kind of money? I believe you will agree that it is a pretty good agent who in his first year makes 80 sales for an average policy of $6,000 ($480,000) with an average premium of $18 per thousand. Or, if you specialize in high premium plans and the man sold 40 cases with an average of $6,000 ($240,000 volume) for an average premium of $36 it would accomplish the same thing. This is is the profile of the man who is to validate for a $600 per month net advance. How many of the men we recruit today can actually fulfill this requirement? Perhaps this is the biggest problem that we have to contend with.

—Close supervision directed at seeing that the man is doing all that is expected of him and all that he is capable of doing.

—As far as humanly possible, we must base our advances to all men upon quality business for unless the business persists, all of our theories are completely down the drain. A great deal of work has been done in recent years in predicting persistency of business on the basis of income of the applicant and mode of payment. There are other areas of grading, but these two factors appear to be most important. Therefore, we should avail ourselves of this experience and closely study a new agent's business from this viewpoint.

Commissions In Two Years

To sum up the various points I have attempted to make, I feel that the commissioned agent or general agent should be placed on a straight commission basis at the earliest possible moment. From an actuarial standpoint and perhaps from a practical standpoint, this should be by the end of approximately two years, if the agent has survived to this point.

Agents who can't find prospects, who have 50 promises and few sales should be switched as soon as you are convinced they are trying to sell you instead of the public. In order to accomplish a two-year success, we must be extremely careful in the amount of advance we establish for the man, supervise his activities very, very closely in order to be certain that he is on schedule, and make our advances as far as we can determine on quality business.

One further major consideration which I have skirted completely involves products and merchandising. Audio-visual backed up with good policies can go a long way toward helping to produce the business required to validate an agent's financing. This, however, is a subject unto itself so I won't elaborate beyond this single statement.

If we do our job in these areas, we should be able to bring the man through to a successful life insurance selling career with a debit balance that is fully secured to the company by good business and a situation where the agent can reasonably feel that he is making progress and will eventually eliminate his debit balance completely.

Hancock's HO Sets Up Defense For Nuclear Attacks

(CONTINUED FROM PAGE 2)

ords for the protection of policyholders.

Following warning of possible nuclear attack over an inter-office "alert" system tied in with state and federal civil defense facilities, all home office personnel and building tenants would be directed to core shelter areas in the basement and first six floors of the Hancock buildings. These areas have been scientifically tested by radiation experts to assure possible protection against blast effect or radioactive fallout.

Multi-Purpose Food Stored

The restaurant now is equipped to furnish two meals a day to all home office members during such emergency, to be supplemented by multi-purpose food, providing all daily nutritional requirements of the average adult. Thousands of cans of this special food preparation have been stored throughout the Hancock buildings, along with first-aid equipment and some 6,000 gallons of canned water to reinforce regular supplies.

The air conditioning system is equipped with filter protection which would help free the air of radioactive particles, especially those derived from fallout. Measures are being taken to assure continued functioning of this system, and additional power, light and sanitation facilities have been installed.

Protective clothing and individual radiation detection devices are being provided for those who might be exposed to radioactive dust or fallout.

To Start Refresher Training

Refresher training of department members in first-aid will begin in the near future, as part of the company's comprehensive civil defense program. These members will work closely with the home office medical staff, which stands ready to set up complete clinical facilities in shelter areas, within minutes, in the event of emergency. Other home office members will be trained in fire protection and how to maintain and service radiation detection equipment.

Another feature of the new Hancock safety program is a console to be connected to radiation detection instruments soon to be installed in 10 locations in the Hancock buildings. Any dangerous contamination in these areas would be immediately recorded on the central console and emergency measures taken.

Responsibility for execution of the company's civil defense program in the event of emergency would rest on the present line management, operating under the over-all direction of the president. The program would be directed from a fully equipped operations control center immediately adjacent to the main shelter in the central core of the building.

The president and executives staff would be in constant communication with home office members, outside police, fire, radio, military and civil defense facilities.

Consultant Examines Investment Problems Of Life Companies

(CONTINUED FROM PAGE 8)

bonds to take care of foreseeable contingencies, it is only sound to buy the longest maturities available to secure the highest average yield. After all, you are investing against the mortality table, and it is your duty to secure as high a yield as possible above your actuarial required interest rate. Hence, long term bonds are the logical choice.

Now comes the question of quality and ratings. Despite the temporary and mild recession of last year, we are living in relatively boom and prosperity conditions. As long-term investors, however, we should recognize that over the life of a 20 or 30-year bond, we may and likely will run into a period of recession or even a depression. Those who went through the 1930s need no further word on the matter, but to new members of this fraternity, a depression means unemployment, family incomes down to nothing, tax bills due and unpaid, and municipal operations being run at a deficit.

This could mean default on municipal bond interest. As long term investors, let us use foresight instead of hindsight, and avoid like a plague, the substandard bonds which offer these 5% and even 6% deals on private placements. We definitely recommend that you stay with bonds rated "A" or better, and avoid future trouble, unless you can do so without inviting undue risk.

There has been another trend, which we think is hazardous, and that is the tendency of municipalities to put out tax exempt bond issues for industrial constructions, secured by a lease from some industrial corporation. It is understandable that communities wish to attract new industry to their area, promising little or no taxes for a period of years as an inducement. These propositions should be analyzed very carefully before making an investment. It must be remarked that a good many of these are over and beyond the legal debt limitations of many communities. There is a bill just introduced into the Senate to remove tax exemption from these industrial issues. In our opinion, this is stretching the tax exempt privilege quite far.

The corporate bond market offers a great variety of choices as to individual companies and industries. Sound investment managers seek out the best bargains of all offerings made to them. The most logical candidates are those visiting the market most frequently to raise money for growth, expansion and new construction. The answer is obviously the public utilities, the most frequent borrowers, and slicing it still further, the natural gas companies are the most rapidly expanding of all. Hence, yield on natural gas and transmission companies are generally above those of the utility market.

Avoid Concentration

We must take advantage of the higher yielding issues, in order to build up an average yield but we would avoid concentrating a major portion of funds in any one group, no matter how attractive they may be at the moment.

Excepting the Treasury and municipalities, the utility industry is one of the most persistent borrowers in the bond market. The reason is obvious, since utilities must of necessity build up power production, capacity, to meet steadily growing demands.

Industrial companies are less dependent upon borrowing than utilities, excluding, of course short term loans for inventory purposes, or to finance receivables. They are not long term borrowers to the same extent as utilities, since within their own financial structure, they are able to generate a steady flow of funds through a conservative writeoff for depreciation and depletion, which give them a rather steady cash flow.

Moreover, since the recession of last year, there has been a sharp reduction of bank loans for inventory purposes, and these excess funds have been falling into the short term Treasury market. On balance, many well-heeled corporations have been lenders rather than borrowers.

Industrial Bond Scarcity

The net result is that there is a relative scarcity of industrial bonds in the market, and in consequence, they usually command a premium of five or 10 basis points in yield.

Preferred stocks are divided into two categories, those we recommend and those we do not. We do not recommend straight preferred stocks at the present time, although there may come a time when the yield differential between bonds and top quality preferreds may recommend them. In recent years, their market performance has been most disappointing, and we continue conscious of the fact that they can show 10 or 20 points depreciation in line with the trend of money rates, but on the upside, their market progress is hampered by call prices. Their

position in the debt structure is not happy in a company with plenty of debt, and we would by far prefer to hold the position of a creditor, or at least enjoy the benefits of growth and expansion as a stockholder. This also answers the question of convertible bondholders. To put it very simply, they are the low men on the totem pole insofar as protection is concerned. Most convertible bonds are subordinated debt, carry a quality rating of "BB" or under, and thus are not considered eligible for most life company portfolios.

Sex Appeal Of Common Stock

Now for common stocks, the "sex appeal" for life insurance portfolios, where permitted by state law. New York State is acknowledged to have the toughest investment requirements, yet for the past eight years, investment in certain high grade common stocks has been permitted.

We think that all life companies should build up at least a partial hedge against a shrinking dollar, by building up their representation in high quality growth stocks. They would be confined to those with a demonstrated sales, earnings and dividend record and which have growth potentialities for the future.

Recognition is given to the fact that these investments are non-amortizable and that reserves will have to be set up against them.

Moreover, allowance must be made for market fluctuations, since the only sure thing about the stock market is that it is always changing in value.

It can be said that the stock market is now fairly close to its historic highs, but with very few exceptions, stock purchases made at almost any time in the last decade could be labeled as "too high." Nevertheless, purchase of good growth stocks has been well rewarded and now have such a relatively low average cost that it is causing them no concern.

Sound Approach

In our opinion, there is a very sound approach to building up a position in good equities, without involving any great amount of market risk, and that is by a monthly program of "dollar averaging."

In your common stock selections, quality and adequate diversification should be the watchword.

A workmanlike approach would be a study of individual industries. What is their outlook, on the uptrend, likely to be stable, or downgrade? Secondly, within the industries studied, which are the most likely to benefit from any change for the better? What industries and companies are now at a low point, and their stocks over-discounting the bad news? May we suggest that this latter is perhaps the most fertile group for constructive action, if your studies convince you that the stocks have only one way to go—up. We think that the metal stocks fall into that category, just as an example.

Let these be your guideposts: Quality, growth prospects, and by all means, adequate diversification, avoiding a concentration in one industry or in one stock. Follow them all carefully, and your troubles will be minimized.

Federal L.&C. Has New Guaranteed Renewable Income Protection Plan

A new guaranteed income protection plan has been introduced by Federal Life & Casualty. The new plan covers total disability due to sickness or accident, partial and non-disabling accidental injury with optional accidental loss of life and medical expense reimbursement. The disability income protection features are available to age 65 with the policy automatically converting to hospitalization for the life of the insured at age 65.

The plan features five different plans ranging from five-year accident and one-year sickness to accident and sickness to age 65. It is being introduced to agents in regional meetings. A sales contest and complete new sales kit are being introduced at the same time.

Doctors Condemn McNerney Advice On Blue Shield

Some of the major recommendations affecting Blue Cross and Blue Shield made by the University of Michigan survey on hospital and medical economics have been condemned by Wayne County (Detroit) Medical Society through its organ, Detroit Medical News.

The study, directed by Walter J. McNerney, who since has become president of National Blue Cross Association, suggested that doctors be excluded from board service on Blue Shield and that doctors participating in Blue Shield accept predetermined fees as full compensation, with non-participating doctors paid 80% of such fees.

Dr. Clarence Owen, Medical News editor, said the former recommendation was, in effect, absurd inasmuch as Blue Shield was "the doctors' plan, initiated by our leaders a generation ago to obviate socialized medicine." He said such a proposal threatens the plan "with a metamorphosis which, if consummated, could very well bring on socialized medicine in a devious and diabolic manner." The fixed fee proposal, he said, would constitute a penalty against non-participants that could make Blue Shield a "closed panel practice" under which physicians would have no power to fix their fees and patients would have no choice of doctors.

Another writer, Dr. John Slevin, attacked the proposed exclusion of doctors from the Blue Cross board and asked: "What labor union would agree to let a group of laymen set the wage scale for its members?"

Some Questions And Answers From CLU Column Given

(CONTINUED FROM PAGE 10)

insured, in my favor, and I have been paying the premiums for this insurance out of my own earnings.

Someone told me recently that he could borrow on this policy, or even change the beneficiary, without my consent. Is this true?

ANSWER: The answer depends on how the policy was issued in the first place. If your husband applied for the policy, the chances are he reserved all rights to himself during his lifetime—and this would include the right to borrow, to change the beneficiary, or to surrender the policy for its cash value.

If you have the policy in your possession, better read it carefully—or, if you don't understand the various provisions, ask a representative of the company that insured your husband to explain them to you.

If the policy is not irrevocably yours, then you are taking a certain amount of risk in paying the premiums. In any event, you should check with the company to be sure of exactly where you stand.

Group Was Discontinued

QUESTION: My husband had group insurance that was discontinued when he changed jobs. He changed his policy to a 20-year endowment, for which he paid $16.57 every six months. He was 49 years old at that time.

The policy said $600, but we had understood it would be for $1,000. Also, inside the policy is a table that says $1,000 will be paid "at the end of the endowment period or at the prior death of the insured."

My husband died recently, and this company has sent me a check for $600, not the $1,000 I understood I was to be paid. What can I do about this?

ANSWER: The twice-yearly premium of $16.57 is about right for $600 of 20-year endowment, issued at age 49. The full $1,000 would have cost you about $25.

The table your letter mentions is standard in all policies, and we think you will find, at or near the top of the table, something to the effect that the values listed are for each $1,000 of insurance provided by the policy. That is, for $600, you would receive six-tenths of the amount stated; for $5,000, five times the amount, and so on.

We're sorry you understood you were buying $1,000; but as the policy was issued for $600, and the premiums you've paid were for $600, we're afraid there's nothing to be done about it.

Place For Life Policies

QUESTION: Is there any reason why I should keep my life insurance policies in a safe deposit box? I've been told both ways.

ANSWER: If the box is one that you alone have the right to open, there might be a costly delay, after your death, before your beneficiaries could get a settlement from the life insurance companies.

During your lifetime, your policies cannot be cashed in or otherwise changed except by the life owner (presumably you), and as they can be replaced if they are lost or destroyed, without cost to you, there would seem to be no reason to keep them locked up in a vault.

Arthritis No Bar

QUESTION: I am a woman, 35 years old, employed steadily, and haven't missed a day of work in more than two years. Due to an arthritic condition, however, I have to use crutches. I've been told that because of this handicap I cannot get life insurance. Is this true?

ANSWER: The chances are you cannot buy life insurance at so-called standard rates, but if your health is otherwise good, it's our guess arthritis will not keep you from getting a policy—and at a price you may consider reasonable.

Why don't you talk this over with a representative of some life insurance company?

Borrowing On Extended Term

QUESTION: I have a life insurance policy on which I was forced to stop paying premiums two years ago. At that time, I was told it would be continued in full effect for some 11 years—under what the agent called an extended insurance option. As I still have nine years of this extended insurance coming, there must be an equity in the policy, but I'm now informed that I can't borrow any money against it. Is this true?

ANSWER: Yes, it is true. When the cash value of a policy is used to buy extended term insurance, there is no longer any loan value available. You can, however, surrender the policy and take a cash settlement. We don't know exactly how much this would amount to, but we'd think about nine-elevenths of whatever the value was two years ago.

Teaching Degree A Policy?

QUESTION: I have just changed a $10,000 life insurance policy to $5,000, and now I'm considering dropping this. I am a graduate student and my wife

is a school teacher. I feel my wife's degree is life insurance in itself, and instead of paying premiums, I would rather put the money into bonds or possibly stocks that will bring a more substantial return. Please advise.

ANSWER: Comparing bonds or stocks with life insurance is about like comparing scrambled eggs and orange juice. We happen to like both for breakfast.

Your wife's degree is some assurance that she could probably get along without your financial support—so we suppose you could call it life insurance of a sort. Whether you want that to be her only protection, if you die, is strictly your decision.

We would think the $10,000 you started with is little enough, and that the $5,000 you now have is about what it might take to clean up hospital and other bills she'd have to pay—if you were unfortunate enough to have a serious illness, then die. (Of course, this isn't going to happen to you, but it might. We recently spent some time in a hospital and were much impressed by the number of quite young men who hadn't dreamed of being there, but were.)

It can, of course, make no difference to us whether you increase your life insurance, keep what you have, or drop it entirely; but we believe you should keep two facts in mind:

1. Almost every successful business and professional man (who can get it) owns a substantial amount of life insurance.

2. In some quite expensive advertising, the New York Stock Exchange has advised prospective investors to be sure they have an adequate amount of life insurance, plus a savings account for emergencies, before they buy equities of any kind.

No Refund On Group

QUESTION: My husband has been paying, through his employer, for group life and hospital insurance for the past several years. We have never had any benefits from this insurance, and as he has taken a new position that will move us to another state, can't he get some sort of refund?

ANSWER: No refund. Your husband has been paying part of the total premium for his group insurance and his employer has been paying the balance. This type of protection is very like the fire insurance you have on your home, or your automobile insurance; if there is a fire and your property is damaged or destroyed, the insurance company pays; but if there is no fire and, therefore, no loss, the premiums you've paid are simply part of your regular living expenses. Most people feel they are better off to pay these premiums than go without the insurance protection and run the risk of a crippling loss.

We don't know what the cost to your husband of the hospitalization part of his group protection has been, but for the life insurance the chances are he paid at the rate of 60 cents per $1,000 per month, with his employer paying the balance of the total cost for all employes who were covered. If you will compare this $7.20 per $1,000 per year with what you are paying for fire insurance—then remember there is about 16 times the risk of your husband dying that there is of your home burning down—we think you'll agree the group insurance he's had was a good buy.

Incidentally, after your husband leaves his present employer, he will have a month in which to change his group insurance to a regular policy, without a physical examination. He might want to look into this privilege, and if he does, his employer or the company that issued the group policy will give him full details.

Tax Status Of Annuity

QUESTION: If the beneficiary of a life insurance policy chooses to take a monthly income as long as she lives, rather than cash, how much income can she receive before she has to pay an income tax? I would also like to know whether income from an insurance policy would count against the total income she can have without losing her social security pension?

ANSWER: When the money from a life insurance policy is paid as a life income, it becomes an annuity and is taxed accordingly. The formula is too complicated to explain here (any representative of the life insurance company you are dealing with will explain it, however), but it gives a more favorable result than the tax on so called ordinary income. What it amounts to is, a big part of the income the beneficiary will receive is considered a return of capital (no income tax to pay on this part), and what's left will be considered interest earning on that capital (and these earnings are taxed).

No, the income from an insurance policy will have no effect on her social security status. The limitation in the social security law is on earned income; she can have any amount of income from investments, life insurance, annuities, and so on.

Can Liability Be Denied

QUESTION: Can a life insurance company deny liability on a policy issued under a mortgage loan agreement when they refused to permit the insured to cancel the insurance, when he requested it, and continued to invoice him for it each month until his death, several months later? The company had the right to foreclose on the home of the insured but did not, and had cash values in other old policies carried as collateral which were sufficient to have paid the insurance premiums for the months in question.

ANSWER: A life insurance company is bound by the provision of each individual policy it issues, and it has no legal right to use the cash values of one policy to pay the premiums on another.

We assume that the mortgage policy your letter mentions was term insurance and had no cash value. If that is true, then the question would be one of whether the insured paid or did not pay the monthly premiums for which he received notices. If he did not pay, then the policy would lapse—and the fact that the company had asked him to pay would not, in our opinion, have any bearing.

The insured could have directed that additional loans be placed against his policies with cash values, and that the proceeds of those loans be used to pay premiums on the mortgage policy; but in the absence of specific, written instructions from him, the company could not do this of its own accord.

Our own experience has been that companies, these days, lean over backwards to pay death claims, rather than avoid them; but if you feel you are up against a situation where a just claim is being denied, we suggest that you talk it over with your family lawyer. He'll be in a position to weigh all the facts.

When Did Disability Start?

QUESTION: My husband has been totally disabled for nearly a year, and the doctors say he will never be able to work again. We have a life insurance policy of $10,000 that pays him $100 a month, and we started getting this money six months after the accident that laid him up. I have three questions I'd like answered?

1. Shouldn't this $100 a month be paid from the start of his trouble?

2. If he dies, will what the company has paid be deducted from any money due me then?

3. Is there any tax that we have to pay on this $100 a month?

ANSWER: Your husband's policy probably states that his disability income will be paid from the date that proof of permanent, total disability is established. If so, then six months duration was accepted as such proof, and the payments would start on that date. In any event, this is all clearly spelled out in the policy.

We think the answer to your second question is, no deduction. Better check

the policy, however. Years ago, some policies were issued which did provide that any disability payments would be deducted from any other benefits.

There will be no tax to pay on your husband's $100 a month of disability income.

Pension For Small Firm

QUESTION: Including me, the small business I work for has six employes. Except for one man, all of us have been with the firm for more than five years. We've been talking with the owner about putting in a pension plan, but he says it would cost him a lot of money, that there's too much red tape, and that he wouldn't get any benefit from it himself. Have you any suggestions? As I understand it, he'd get an income tax deduction for anything he paid toward pensions, and isn't there a new law that would let him get in on the plan, too?

ANSWER: Our first suggestion is that you talk this over with a life underwriter who has had experience with pension plans—someone who could review your employer's exact situation. There's nothing especially complicated about setting up a pension plan for a small business; but it has to be based on the individual circumstances, and they vary so much it's almost meaningless to generalize.

Owner Could Participate

If the business is incorporated, then the owner probably could participate in any pension benefits provided. If it is not incorporated, perhaps it's because he doesn't want to be taxed as a corporation. If this is what's holding him back, then there has been a change in the law (made in 1958) that might help. If the business meets certain requirements (and this would have to be discussed with your employer's lawyer), it could be incorporated—thus making him an employe and eligible for fringe benefits paid for the business as a business expense—and he could continue to pay income taxes on much the same basis he pays them now.

As to red tape, it's true that a pension plan must be set up under rules established by the Internal Revenue Service, before the firm's contributions to the plan will be an allowable income tax deduction. These rules are too involved to spell out here, but we can give you a rough idea of what they are.

The plan must be one established by the employer for the exclusive benefit of employes or their beneficiaries. It must not discriminate in favor of stockholders or any one class of employes—either as to eligibility requirements or benefits. And the schedule of benefits must be what the government considers reasonable.

Nationwide Life To Reach $2 Billion Mark In Sept.

Nationwide Life expects to reach the $2 billion mark in insurance in force sometime in September. With attainment of this figure, the company will have doubled in size in less than five years. It reached $1 billion in December, 1956, after 25 years in business. It will be the fifth company to surpass $2 billion in 30 years or less.

Insurance in force June 30 was $1,938,881,000, an increase of $130,098,000 or 7.2% since the end of 1960. Ordinary life sales during the first six months of 1961 amounted to $153,363,000—a gain of 22.5% over the same period last year. Statutory net operating gain for the first half was $1,065,000, down 22% from the $1,364,000 reported for the similar period last year.

Quaker City Profits Up

Quaker City Life's income over disbursements for the first six months was $2,168,000, up 23%. Net investment income increased 18.8% and insurance in force has passed $300 million. The company has entered into a contract with a Virginia fire company to allow Virginia agents of Quaker City to write fire insurance there.

Decatur, Ill., Agents Elect

S. B. Stottrup, Mutual Benefit Life, was elected president of Decatur (Ill.) Assn. of Life Underwriters at the June meeting. Other new officers are Melvin Campbell, Prudential, 1st vice-president; Robert Beadles, Penn Mutual, 2nd vice-president; I. A. Wallins, New York Life, secretary, and Dean Mesnard, Metropolitan, treasurer.

NALC Workshop Sessions Prove Popular

(CONTINUED FROM PAGE 4)

to lapse, something can be done in the way of lapse control with all factors involved—mode of premium payment, cash with application, previous ownership, age of insured, survival of agent, type of policy, and occupation.

With regard to mode of premium payment, it was suggested an extra bonus be given for annual premium business. Also, payment of a bonus for cash with application was suggested.

Follow Up Policies

To increase production among people already insured, the agent should be taught to follow up policies for service and programing. Proper selection, training, and supervision have a direct effect on agent turnover. A suggestion was made that when the writing agent was terminated, his business be given an active agent with the responsibility of service. Have a supervisor or more permanent agent call on all insured immediately after writing agent is terminated; write a letter offering service or have the general agent or manager phone.

With respect to twisting, it was agreed that the right policy, properly sold to the right type of prospect, is seldom, if ever, twisted. The group agreed that selection of good men, thorough training, and close supervision are the essence of good persistency.

Communication Critical

Inadequacy of communication between the various layers of company organization is the most critical problem in company internal organization, Mr. Levy stated. "Organization in a small company is a flying-by-seat-of-pants proposition; it can't be worked out by someone else because every company is different. The organization of NALC companies, in most cases, is a creation out of the imagination of the president of the company. Too many executives wear too many hats, with overlapping authority and their responsibilities are not clearly defined," he continued. Regular meetings of department and division heads are helpful in clarifying the problems arising from inadequate communications.

There is a market in recruiting just as there is in selling, Mr. Gillis asserted. Proper training and supervision have a direct effect on the problem of agent retention. Precontract training greatly improves the chances of keeping men more than a year.

Are 'Buying' Insurance

A life company is not selling life insurance, it is buying life insurance at a price it can afford to pay, Mr. Baumann stated in his discussion of stockholder relations. Relations with stockholders, the people who furnish the money, is a problem of communications. Many companies send only one annual report to their stockholders a year. Insurance in force is what will help the value of the stock. Many companies want to keep the price of their stock a secret. He suggested building good relations with a brokerage house so that it has a good knowledge of company operations. Questions on the value of the stock or how the company is doing can then be referred to the broker, who can give a knowledgeable report.

A "special" policy is simply some policy a company wants to merchandise that is tailored for a particular purpose. Some catch on and become standard in the business, such as the family policy or family income policy, and others disappear from the sales portfolio after a time, Mr. Baird said in the discussion of special policies. It was stated in the discussion that permanent type insurance ignores completely the problem of inflation. Some advocate buying term and investing the difference in mutual funds. A middle of the road approach is to buy stock with the policy. It is necessary for the average buyer to consider term for adequate protection. He must have the security of guaranteed dollars.

Mutual funds have made fantastic gains in recent years. The insurance industry is not quick to change its line; more and more mutual funds will develop in the next ten years, Mr. Baird stated.

The advantage of concentration on a special policy is that agents can be given thorough training through a prepared sales track and a small, young company does not have to go to the expense of an intensive training program to make its agents life insurance experts. It can offer an attractive product through qualified salesmen. A sales track is essential to the sale of a special policy. A company should not copy another's sales track unless it is specifically designed to fit the company's own product. The agent does not need a big rate book. Rates can be precalculated for every combination and included in the sales track.

Battle To Enroll State Employes Looms In Mich.

A bitter competitive battle to enroll some 32,000 classified state employes in a health care program looms in Michigan.

The state civil service commission some time ago accepted the low bid of Aetna Life for a group hospitalization and medical care program for which the state would bear half the cost. Michigan Hospital Service (Blue Cross) and Michigan Medical Service (Blue Shield), which have had some 18,000 state workers enrolled in four separate group plans, had bid unsuccessfully and for some time contested the award.

Despite civil service commission action and the specific approval given to the plan by the Michigan department, Blue Cross-Blue Shield officials refused to give up the fight and circularized state workers regarding the alleged advantages of their plan and the possibility that some hospitals would not accept the Aetna coverage without an advance deposit.

Heated Word Battle

George N. Higgins, civil service commission chairman, and William S. McNary, executive vice-president of Michigan Blue Cross, engaged in a heated word battle, each charging the other with unfair tactics. Blue Cross-Blue Shield scored a point by obtaining state administrative board approval for continuance of a payroll deduction plan for employes electing to continue under that or group plans other than the one proposed by the civil service commission.

Mass. Mutual Attaching Decreasing Term, Family Riders To In-Force Plans

Massachusetts Mutual's decreasing term and family riders, formerly available only at the time a basic policy was purchased, are being added to existing contracts after issue under a new policy instituted by the company.

The new policy permits adding mortgage retirement, family protection, family insurance and children's insurance riders to CSO policies already in force, subject to normal underwriting procedures.

The regular minimum and maximum limits applicable when such riders are attached on the original date of issue will also apply. Rates will be based on the policyholder's age at the next anniversary of the basic contract except when the rider is requested within two months of an anniversary. A small attachment fee will be charged.

First Six Months Show Record Gains For Continental Assurance

Continental Assurance on June 30, 1961 had life insurance in force of $7,240,563,275. The increase of $396,173,282 since Dec. 31, 1960, was the largest increase ever achieved by the company in any first half-year period. It exceeds the total amount of insurance in force as recently as 1941.

Net gain from insurance operations for the first six months of 1961 was $3,051,079 compared with $4,227,286 for the similar period of 1960. Reduction in net gain was due to less favorable experience in the operation of the group life and A&S department.

Surplus to policyholders was $77,049,643, an increase for the six months of $3,463,221. The security valuation reserve was $22,415,324 which represents an increase of $5,743,515 over the comparable figure for Dec. 31.

Officers Named For Protection Life Club

Officers of Protective Life's Honor Club, who qualify by leading in personal production of ordinary life, have been elected for the year starting July 1. They are Charles E. McNeil, general agent in Mobile, president; Alan T. Drennen, general agent, Birmingham, vice president, and William J. Rushton III, Birmingham, secretary. They will be guests of honor at coming company banquets.

Jefferson Standard Sales $114,680,000 In Half Year

Jefferson Standard Life's paid-for sales for the first six months of the year were $114,680,000, bringing insurance in force to $2,047,009,000 as against $2,010,954,712 at the end of 1960. Assets have increased more than $20 million to $640,698,000. A quarterly dividend of 25 cents has been declared.

Editorial Comment

Is Programing A Poor Selling Method?

Has the trend away from tightly tied up settlement options made it senseless to continue emphasizing sales talks based on programing as part of the sales training process?

We raise the question because Halsey Josephson of New York, head of Connecticut Mutual's leading agency, has made a scathing attack on those who believe sales talks based on programing to be an important aspect of sales training. He regards them as being guilty of "not merely an unwillingness to change in view of overwhelming evidence that they are wrong but an unwillingness to examine the evidence in the first place."

Mr. Josephson, writing in the July 31 issue of his "Probe" fortnightly, starts with the generally acknowledged fact that over the years there has been a material decline in the number of beneficiary arrangements requested for new policies and a big increase in "round number" applications, "a fact that tends to prove that the amounts applied for were not the results of meticulous programing calculations."

Before any company or agency dumps a perfectly good programing-based sales training course, let's try to determine how much there is to Mr. Josephson's diatribe. What he appears to be saying is, "It's silly to teach Joe Recruit to sell by programing, because he probably won't use settlement options or meticulous programing calculations in arranging for the proceeds of the policies he'll be selling."

But this contention is sound only if these conditions are true: (1) a considerable amount of sales training is based on options picked at the time of sale and determined on the basis of "meticulous programing calculations" and (2) programing (in the looser sense current today) is actually a poor method for teaching Joe Recruit how to make his sales. We are not convinced that either of these conditions exists today.

When Mr. Josephson refers to "sales talk, frequently a major part of company training schools, based on programing," it appears that he is thinking of programing based on the formerly reversed system of tying up proceeds tightly at time of sale. But if that's what he means, we think he's stuck with a wrong premise. We simply don't believe that sales talks based on actually tying up proceeds in the manner popular 30 years ago are more than a minuscule factor in sales training today. If that's the kind of programing Mr. Josephson is referring to, it seems pointless to inveigh against it, because so very little of it is used in sales training any more.

Possibly, however, Mr. Josephson was not confining himself to this overtight variety of programing but was attacking programing in general as a sales training method. If so, his attack seems equally groundless. The value of programing as a sales technique—and that is the role he is talking about—should be measured by how much it helps the new man make sales, especially during the crucial first weeks of his life insurance selling career. Whether the proceeds of the policies he sells are actually programed or not has no real bearing on the case. Certainly it is no measure of the efficacy of programing as a means of helping a man make sales.

When Joe Recruit starts out selling, he has to get the prospect's attention. Since even the most mulish prospect is not really a mule, hitting him over the head with a 2 x 4 to get his attention is not a recommended procedure. One good way—though of course not the only one—of getting him to hold still long enough to listen to a sales presentation is to use the programing approach. By showing Mr. Prospect the various categories of needs for money, analyzing his present insurance and other resources, and then showing how much more life insurance will be needed to do the complete job, Joe Recruit can usually stun the man about as effectively as if he had belted him with a length of 2 x 4.

Thus, programing can be a highly effective way of making sales, even though it may seldom result in one of those intricately worked out settlement option agreements that were all the rage 30 years ago. It is much more than just an attention-getting device, for a program-based sale means that the buyer has agreed on the kind of program he needs and then bought as much of it as the agent could persuade him to buy. Usually, even the best salesman can't expect to sell him enough so that the new plus the old insurance will add up to enough to do the job the buyer really wants and needs, so ordinarily any settlement agreement tighter than the interest option with right to withdraw would pose more problems than it would solve.

In the same article in which he attacks programing as a part of sales training, Mr. Josephson assails what he calls "a general belief that national advertising is essential to increased volume." Now, to say that "national advertising is essential to increased volume" is to say that increased volume cannot be obtained without national advertising. In the light of the meaning of "essential" there is no other way to interpret the statement.

To say that there is "a general belief" that increased volume cannot be had without national advertising puts a strong burden of proof on anyone making such a statement.

Quite obviously, no such "general belief" exists, either in the life insurance industry as a whole or in any segment of it. We doubt that Mr. Josephson can find even one person in the life insurance business who holds the considered belief that no life company can achieve a volume increase without national advertising. How could anyone entertain such a notion, when it's obvious that the vast majority of the 1,400-plus life companies are making increases without any kind of national advertising? Yet Mr. Josephson asserts, with respect to national advertising by life companies, that "its most enthusiastic sponsors emphatically declare that it is essential in order to establish a company's identity, to create an image of greatness, to make the agents' job easier."

Since Mr. Josephson refers to "sponsors" in the plural, he could be thinking of as few as two, although he certainly gives the impression he thinks there are a lot more than two. But we don't believe there are even two persons in the life insurance business who would own up to a belief that only through national advertising can the three objectives mentioned by Mr. Josephson be attained.—R.B.M.

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Personals

Arthur L. Beck Sr., National Life of Vermont, Buffalo, N.Y., has been elected national president of Sigma Alpha Epsilon fraternity. Among his fellow SAE members are two sons, Arthur Jr., a doctor, and Jay S., also with National of Vermont in Buffalo.

Harper H. Bass, general agent for Massachusetts Mutual Life at San Antonio, and president of Texas Assn. of Life Underwriters, is recuperating from a broken arm he suffered at his home.

George E. Hatmaker, vice-president and secretary of Franklin Life, has been named to head a study of unemployment in the Springfield, Ill., area.

Victor H. Schiro, general agent for Franklin Life at New Orleans, has been elected mayor of that city. He was elected to the post by the New Orleans city council to fill the vacancy created by former Mayor deLesseps S. Morrison who resigned to become the U. S. Ambassador to the Organization of American States. Mr. Schiro has been a Franklin Life representative since 1948 and has been a member of the New Orleans city council for 11 years. His term will end in May of 1962.

Deaths

DR. J. RAYMOND B. HUTCHINSON, 58, vice-president and medical director of Acacia Mutual Life, died at Georgetown University Hospital at Washington after a brief illness. He joined Acacia in 1930 as assistant medical director, was made medical director in 1939 and vice-president in 1945. He became a member of the board in 1954.

Dr. Hutchinson was secretary and past chairman of the Medical Section of American Life Convention, and he organized the Middle Atlantic Medical Directors Club.

HOWARD E. GATES, chief of the Maryland department's rating bureau since 1947, died. Before going with the department, he had been with National Bureau, the Maritime Commission and American Mutual Liability.

EDWARD L. FOULKS, 72, general agent of New England Life at Greenville, S.C., from 1940 until his retirement in 1950, died there.

JOHN G. BLANE, for 30 years general agent in Latin America for Pan-American Life, died at his home in Hopkinsville, Ky.

Mr. Blane started with the company in 1912 and became general agent in El Salvador, Nicaragua, Guatemala and Honduras. He retired in 1956.

His son, John G. Jr., is general agent for Pan-American at Hopkinsville.

Comments On The Insurance Field From The Investment Dealer's Chair

By LEVERING CARTWRIGHT

Cartwright, Valleau & Co., Board of Trade Building, Chicago

Life insurance stocks resumed their upward trend last week after a brief period of uncertainty and there were a few strong spots, too, in the fire-casualty list. A feature of the week was the offering of 49,500 shares Fireman's Fund jointly by First Boston Corp. and Dean Witter & Co. at 65½. This probably came from the Eaton & Howard funds of Boston. The stock was disposed of in three days.

Several leaders recovered lost ground. Aetna Life was up 5, Lincoln National Life 7 and Franklin Life 5. President Charles E. Becker was able at long last to announce that a stock split for Great American Life Underwriters is set. Instead of the 5-1 subdivision that was originally mentioned, it is to be 11 for one. G. A. L. U which owns about 20 shares of Franklin for each G. A. L.U. share ran up nearly 100 points on the announcement and was 1720 bid Friday.

Gulf Life continued to be exceptionally active and got up to 35. Life & Casualty added a point, Mass. Protective was 3 higher, U. S. Life was plus 2, B. M. A. up 1, Kansas City Life gained 15.

Among the fire-casualty companies North America donned 7-league boots and added 5. Investors liked the tone of its program for agency development. Continental Insurance on the N. Y. Stock Exchange responded well to the half-year statement, which suggested a ray of sunlight in the underwriting picture. This was up about $5. The bull market in the general stock list of course, enhances the surplus value of the fire-casualty companies. Now, the bad first quarter underwriting results are reflected in the market and a whiff of profits could be very exhilarating. Aetna Fire and Phoenix, which have been sensitive market performers since the Conn. General decision and since Phoenix announced it is empowered to buy in its own shares took off again last week, with each soaring about 7 points. Security of New Haven sprouted wings and advanced to 84 bid, up 12. Recalling the terms of the acquisition of New Amsterdam Casualty by Security this price for the latter means a value of about 105 for the NAC stockholders that took Security shares. The proposal that this supplanted was one of Home Insurance to give one Home share for each NAC and the Home stock is now 57½.

Telephone Employees Ins. Co. of Maryland spurted with the bid reaching 55, up about 6 for the week. The stock was offered last May at $27.50. (On Monday it was 62 bid.)

President W. H. Trentman reports that Occidental Life of Raleigh, N. C., enjoyed for the first six months an increase in insurance in force equal to the entire gain for 1960.

Great Southern Life romped through the 100 level and reached 105 bid. Lamar Life was up 2. With $1 million of capital and $11 million of surplus a stock dividend here would be a reasonable expectation. Kentucky Central Life & Accident was bid up actively and closed a point higher at 15. Ohio State Life recovered from a dip and was 6 higher at 53 bid. General Reinsurance continued to be in demand and at 150 it was 5 higher.

Piedmont Southern Life at 84 was 9 points higher. Security Life & Accident at 74 was up 3, and Security Life & Trust at 69 was 9 better.

International Bank of Washington with important holdings of the Olmsted insurance companies, including Northeastern, United Services Life and Hawkeye-Security came to life and at 6⅜ bid was a point higher.

Insuranceshares Certificates Inc. reports that during the first six months it acquired an additional 1,700 shares of its own stock. They sold none of their insurance holdings.

Carlson & Co. distributed a bullish study on Monumental Life. The stock was a point higher for the week.

POLICY NUMBER 10,000,000 DELIVERED BY LIBERTY NATIONAL LIFE—Frank P. Samford Jr., president of Liberty National, left center, hands over the company's 10-millionth policy to Robert A. Duncan of Talladega, Ala. Policy was issued on life of Mr. Duncan's six-week-old daughter, Pamela Gay Duncan, here being held by her mother at party in the baby's honor at Liberty National's home office. All 11 members of the Duncan family shown here have policies with the company. From left are Joseph M. Presley, son-in-law of the Duncans, Rhonda Lynn Presley, Norman Duncan, Barbara Duncan Presley, Mr. Samford, Mr. Duncan, Mrs. Duncan and the new insured, Melba Duncan, Garry Duncan, Gordon Duncan, S. L. Sharpley, agent at Talladega, who placed the policy, and Robert Duncan Jr.

Stocks

By H. W. Cornelius of Bacon, Whipple & Co.
135 S. LaSalle Street, Chicago Aug. 8, 1961

	Bid $	Asked $
Aetna Life	129	134
American General	63	65½
Beneficial Standard	32¾	35
Business Men's Assurance	79½	83
Cal.-Western States	86½	91
Commonwealth Life	41½	43½
Connecticut General	262	267
Continental Assurance	180	188
Franklin Life	111½	116
Great Southern Life	106	113
Gulf Life	34⅝	36½
Jefferson Standard	64¼	66½
Liberty National Life	78½	82
Life & Casualty	26⅝	28½
Life of Virginia	95½	100
Lincoln National Life	141	149
National L. & A.	183	193
North American, Ill.	23½	25½
Ohio State Life	51	56
Old Line Life	70	80
Old Republic Life	24½	27
Republic National Life	70½	75
Southland Life	137	145
Southwestern Life	98	105
Travelers	140½	146
United, Ill.	56½	59
U. S. Life	79½	84
Washington National	63¼	67
Wisconsin National Life	43	48

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New LIAMA Survey Shows 4.4% Rise In 5 Month Premiums

(CONTINUED FROM PAGE 1)

themselves more accurately against the entire industry.

The first issue of the new survey includes total premiums for ordinary, group, wholesale, and industrial, received during 1957, 1958, and 1959 and monthly totals for all of 1959 and through May for 1960 and 1961. Ordinary business is further broken down into first-year, renewal and single premiums.

LIAMA's warnings about comparison between the two studies are borne out by several wide divergencies between the two sets of figures. In March of this year, the largest group case in history made the face-amount group figure show a 130% rise over the previous March. But the group premium figure went down in March, according to the premium volume figures. In 1959 industrial premiums were up 2%, but total new industrial business was down 7%.

A total taken from LIAMA premium figures shows that the first five months of 1960 had $3,427,351,000 in total ordinary premiums including renewals, up 4%, and in 1961 $3,633,134,000, up 6%. The face-amount figures were off 1% in 1960 and up 1% in 1961.

Even with the reservations mentioned above, it would appear that whole life had had the greater share of new ordinary business in the past two years.

It is interesting to note that single premium business is shown to have taken a dramatic rise in recent years. In 1958, $77 million was written in this country. In 1959, $84 million was written, and in 1960 the figure was $98 million, representing perhaps a third of a billion in new life insurance in force.

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Tyler, Tex., Agents Elect

Foster E. Murphy, Pan-American Life, has been elected president of Tyler (Tex.) Assn. of Life Underwriters. Other new officers: Elwyn W. Hamilton, Jefferson Standard Life, 1st vice-president; Frank P. Brinkman Jr., Prudential, 2nd vice-president, and Jack F. Fisher, Life of Virginia, secretary-treasurer.

Panelists Discuss A&S Problems At NALC Meeting

Many of the practical problems facing the health insurance field today were discussed by the panelists on accident and health problems at the annual meeting of National Assn. of Life Companies. Joe C. Scott, president Bankers Service Life, was moderator. The panel members were Ira J. McGuire, executive vice-president Security Life & Accident; Homer O. Martin, president Intercoast Mutual; Ralph Reese, president Globe Life & Accident; E. J. Reeves, executive vice-president Commercial Travelers, Texas; and J. M. Newman, secretary Old Equity Life.

Essential To Way Of Life

Income insurance is often forgotten with all of the other kinds of health insurance offered today but it is essential to our way of life, Mr. Martin stated. The average American lives by the monthly payment plan. Mortgage delinquencies resulting from disability are five times as numerous as those from death. He outlined the various commission scales his company pays for accident, loss of time, and hospitalization policies.

Globe Life & Accident is building a career sales force of men who can build an income of from $700 to $1,200 a month after they have become established, said Mr. Reese. The company started out by using direct mail for leads, but discontinued the plan because it was found that most of the acquisition expense was going into the direct mail program. After it was abandoned, the money was used to compensate agents.

Mr. Reese's company believes it is in a business which is a public trust and that the insured should be served by a good agent. The company has substantially reduced agent turnover since starting its career agent program.

Major Medical Increases

Major medical is the fastest growing type of insurance sold in the United States, Mr. Reeves declared. Its volume has increased precipitously while other types of health insurance closely follow the graph curves for population, gross national product, and personal income. He demonstrated this with charts.

If a company is not in the major medical field, it is likely to get in it very soon. Starting as a form of group, major medical is rapidly developing into individual and family group plans. Unquestionably, Mr. Reeves said, the companies are engaged in a great guessing game. The company that is selling only basic coverage will either have to adapt itself to change by writing major medical or it may be out of business. A company should work out major medical with a good basic coverage or competition will result in the loss of its basic insurance business to the salesmen selling major medical, Mr. Reeves concluded.

Mr. Newman's remarks on how his company, primarily a health insurer, packages a combined life and health insurance sale and Mr. McGuire's review of four basic approaches the industry is using to insure the country's elder citizens, were reported last week.

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National Travelers Life reports a 32% gain in written business for July of 1961 over July of last year.

Last McNerney Report Treats Rating, Insurer-Blue Plan Competition

(CONTINUED FROM PAGE 1)

public from an irregular pattern of rate increases and to require Blue Cross to reimburse hospitals on a basis directly related to the cost of services received.

Jeopardizes Health Care

The McNerney report charged that competing rating systems used by prepayment plans and insurers are jeopardizing adequate health care financing for the aged, the low income and other disadvantaged groups. The difference in rating systems has resulted in a migration between Blue Cross and insurance plans in recent years, with Blue Cross getting the worst of it. Under the Blue Cross community rating practice, in which all subscribers are charged a common premium, low risk groups have left the Blue plans to become experience-rated by private insurers, and the high risk groups have shifted to Blue Cross.

"Unless steps are taken to counteract this effect, the Blue plans face the prospect of a spiraling rate structure and the loss of the more desirable portions of their enrollment," the report warned. It recommended legislation to curb extreme forms of experience rating and suggested that insurers consider pooling poorer risks, a practice now followed in automobile lines.

Insurers and prepayment plans see competition as improving the quality and preserving the voluntary aspects of the health care system, the McNerney group observed. However, "the presence of competition and some of the inherent defects in present policies operate against these objectives." It was pointed out that operation of insurance principles makes possible limited benefits at low prices to those of greatest need, but excludes many needy from protection.

Not employing traditional underwriting principles, Blue Cross, on the other hand, has tied its rates closely to the increasing costs of health services. "This means constantly increasing rates, which drive individuals and groups into the more inadequate forms of insurance coverage or leave them unprotected."

The McNerney group objected to doctors becoming trustees of Blue Cross-Blue Shield and suggested that they be replaced with qualified individuals outside of the medical profession. This would not exclude hospital trustees from serving on Blue boards. To maintain close working relationships with hospitals and the medical profession, the study team suggested that advisory boards elected by Blue Cross and Michigan Medical Society be set up.

Presenting some long range proposals for Blue Cross and Blue Shield, the McNerney team recommended that the two organizations explore the possibilities of merging. "The tremendous effort in maintaining coordination saps the strength of both organizations and is not achieved without some cost which must be passed on to subscribers." The "artificial distinction" between hospital and medical services is not in the best interest of a public which generally thinks of the two places as one anyway, the report stated, adding that "the difficulty in obtaining a single integrated approach to the financing of comprehensive health services not only partially defeats the purpose of the plans, but places them at a competitive disadvantage in both local and national markets."

Conn. General Sets Up An Equity Pension Plan

(CONTINUED FROM PAGE 2)

will receive an annuity in a guaranteed amount. Fluctuations in the stock market will not affect him.

For Connecticut General and other life companies in the group pension business, the new investment freedom greatly enhances the competitive position with banks and other non-insured and self-insured pension plans and trusts.

Connecticut General believes that as a large investor with its own trained analysts and with long investment experience it is in an excellent position to obtain maximum returns from investments in its separate account. The company points out that there are greater risks involved in investments in stocks than in the usual life company portfolio, but says it is offering the new plan as an answer to what customers want.

Modified 5-Year Term Plan Introduced By N. Y. Life

New York Life has brought out a convertible five-year term policy, featuring a lower premium during the first two years. It is issued for a minimum amount of $25,000 to persons between ages 15 and 60. Double and triple indemnity and waiver of premium benefits are available.

A special provision discourages agents from selling the policy to replace existing policies. If a New York Life policy is replaced, commissions are only allowed on the excess of the face amount of the new plan over the insurance replaced.

More Than 100 General Agents At Knights Of Columbus Sales Meet

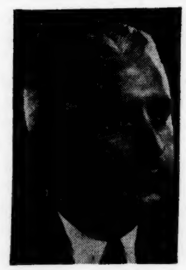
More than 100 general agents of Knights of Columbus attended the company's sales meeting at Miami Beach. Supreme Knight Luke E. Hart presented a production report which showed that Knights of Columbus sales for the fiscal year ending June 30 increased $89 million or 9%. Total insurance in force on July 1 was more than $1.1 billion and sales for the first six months of 1961 totaled $98 million.

Mr. Hart also made production awards. For the second straight year the Mulhern agency at New York was sales leader. Following the awards, Mr. Hart explained the Knights' new health insurance program.

J. F. Richter, agency director, conducted the meeting and introduced a new audio-visual film strip program and a new series of agency contracts.

J. C. Slattery Feted On Retirement From Guardian Executive Post

NEW YORK—Second vice-president John C. Slattery of Guardian Life, who retired Aug. 1 after 35 years with the company, was honored by his fellow officers and by representatives of the field force at a dinner here.



The 38 managers and agents on hand were the leaders in the Slattery Month campaign that resulted in submitted production of individual life and health insurance in excess of $45 million to set a June record.

President John L. Cameron served as toastmaster and after thanking Mr. Slattery for his service to the company he presented him a camera and projector from his fellow officers. Manager Barry Grogan of New York, chairman of the Guardian Metropolitan Managers Assn., paid tribute to Mr. Slattery on behalf of the field force and gave him a silver Revere bowl inscribed with the results of the campaign in his honor.

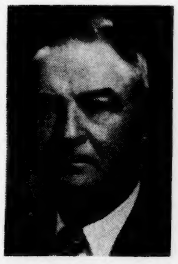
Chairman James A McLain then read a resolution which the board of directors had adopted praising Mr. Slattery for his many years of service and devotion to the interests of the company and the people who represent it, and presented a specially bound copy of the resolution to him. Mr. McLain then commented briefly on Mr. Slattery's career and thanked him "officially and personally" for his many contributions to the progress of the Guardian.

General American Life reports paid life volume was up 16.3% in the first seven months of the year over the same period last year. Written business through July rated 16.7% ahead of the corresponding period of 1960. Health insurance sales were more than double what they were a year ago. As of the end of July, the increase amounted to 111.6%.

The **Pennsylvania senate** has voted down by one vote a bill to include industrial agents under the unemployment compensation law.

Retired GA Tells What He'd Do— If He Had A Second Time Around

At Northwestern Mutual Life's 81st annual meeting of the company's association of agents in Milwaukee, E.T. Proctor, retired general agent, gave an address entitled "The Second Time Around." This speech, which is given below in a slightly abridged version, outlined what steps Mr. Proctor would take if he were starting the second time around as a young agent. Mr. Proctor, who has been with the company 44 years, 32 of these as a general agent, is now a special agent at Nashville.



E. T. Proctor

On the second time around, I would do my loafing in my own office. When I started as a summer-time agent I was told to get an office. I asked what I needed with an office and was told: "To do your loafing in. Whenever you hit the street, act like you are going somewhere." I have passed this advice on to countless young men, and I have never found one of my agents hovering over a pin-ball machine during working hours.

On the second time around, I would keep records. I had been in the business almost 10 years before I was ever asked to keep a record of my time, calls, and interviews. I thought I was a hard worker, but these records revealed to me the fact that I was spending only about two hours a day in the presence of prospects, which is the only place you can get an application. It has been my observation that most of the men that make records also keep records.

Seek Life Education

On the second time around, I would seek education and training in the life insurance business just as fast as I could absorb it. With all of the wealth of company material available now, it is hard to conceive of the eagerness with which the young men of 40 years ago had to search for sales ideas and sales material. In 1917, the company training course consisted of about a dozen leaflets called, "The Educational Series." Dr. Huebner's first text book on life insurance had been published the year before, and these were the basis of the meager education that I received until the company's first educational course was completed in 1927.

The second time around, I would keep a prospect file—keep it up-to-date, and keep adding to it. Knowing whom to sell is much more important than knowing what to sell. Failure to expand one's circle of acquaintances is the explanation of why so many members of the Million Dollar Round Table wind up as life members rather than life and qualifying members. Given enough time, all of your present prospects and policy holders will become uninsurable, so you have go to get new prospects.

On my second time around, I would learn something about taxes. In our present day economy, practically every decision involving substantial amounts of insurance is influenced by the tax structure. You don't need to be a tax expert, but you should have sufficient familiarity with the subject to know as much or more than the prospect.

Learn About Business Insurance

On my second time around, I would certainly want to learn about business insurance, and I would want to learn to present it in a simple manner so that a busy business man could understand it but I would want to be armed with sufficient information that I could talk intelligently to his attorney and his tax consultant. I would also want to learn enough about my prospect's situation so I wouldn't find myself trying to sell liquidation insurance to a man who has spent his life building up a business to leave to his sons.

The second time around, I would certainly want to sell a lot of personal insurance for the benefit of the family. Regardless of what size the sale, I have always gotten more of a thrill out of selling policies that would provide for windows and orphans than out of policies that merely added something to plenty. I would feel just a little ashamed of myself if all of the insurance that I sold was to people who didn't need it. I know that they all need it, but there is a difference between corporation needs and the family needs. Basically, I believe that practically all insurance that is bought is intended to flow ultimately to the family. It is mighty hard to sell insurance to a rich bachelor.

NALU Goes On Record Against Adding Aged Medical Care To OASI

(CONTINUED FROM PAGE 1)

is designed to take care of all aged people who are actually in need of help in meeting their medical bills and because it does not saddle the taxpayers with a compulsory program restricted to aged social security beneficiaries, who, in many cases, can well afford and should finance their own health care needs."

Mr. Adams noted that NALU did not file a lengthy statement in opposition to HR 4222 because Chairman Mills indicated earlier that there was a very limited time available for hearings and requested that all organizations and individuals with a similar interest and position avoid repetitious testimony.

Poulsen Is Offering Major Medical Plan For Bantam Groups

Poulsen Ins. Co. has released details of its new major medical plan.

Poulsen has, in the past, written group A&S coverage exclusively. It now plans to write major medical on bantam groups of three or more.

The plan has a basic deductible of either $500 or a Blue Cross-Blue Shield plan. This deductible is a policy year, all disabilities form.

The coinsurance is 80%, up to a $5,000 maximum. The coverage is offered to eligible groups of three or more persons on a common payroll. Brokerage business will be accepted.

Premiums Up For Olympic National

Total premium income for all coverages of Olympic National of Seattle rose from $1,158,235 to $1,248,653 in the first six months. Insurance in force rose $5,461,132 to $105,632,580. The half-year increase a year ago was $4,444,885. A gain of $355,863 in assets produced a new total of $13,395,610.

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To all these people who are serving the Equitable's clients better by serving themselves better, we offer our sincere congratulations.

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